

FOCUS

SAMSUNG'S EARNINGS SHOCK

Faith Shaken,
Casting Doubts on Future

ECONOMY & FINANCE

CURRENCY TRIANGLE

What Are Potential External
Threats to Korean Economy?

INDUSTRY & COMPANY

REVERSE DISCRIMINATION

Korean ICT Companies
Suffering from Regulations

BUSINESS KOREA

MARCH 2014 / VOL. 31 No. 349

www.businesskorea.co.kr

Water Industry, "Blue Gold" of 21st Century



12,000 won



9 771016 530003 01
ISSN 1016-5304



31th

The special edition to
celebrate the 31th anniversary
of BusinessKorea

보	고		있	어	도
보	고		싶	은	-



Full HD보다 4배 더 선명한 LG 울트라HDTV



완벽한 몰입감의 세계 최초 LG 곡면 OLED TV

꿈의 화질로
즐기는
현장의 감동



LG UltraHDTV and Curved OLED TV are brought to you by LG Electronics in cooperation with LG Display (Full LED IPS Display and WRGB 4pixel OLED Display)

C O N T E N T S



Water on the Rise as Blue Gold

COVER STORY

- 10 Water Industry
Water on the Rise as "Blue Gold"
- 12 The 7th World Water Forum
Sharing Value of Water
- 14 Daegu Metropolitan City
Setting Up Global Hub of Water Industry
- 16 Policy Change in Water Management
Decision Process Needs to Be Changed
from Top Down to Bottom Up



Lee Jung-moo, chairman of the National Committee for the 7th World Water Forum.

FOCUS

- 08 Samsung's Initiative for Reforming Salary System
Samsung Adopts New Salary Peak and Retirement at 60, Followed by Other Affiliates

NATIONAL

- 18 Simultaneous Push of Multiple FTAs
Is There No Problem in Korean Government Pushing Simultaneous, Multiple FTAs?
Korea-China FTA
Korea, China Divided over Illegal Fishing in FTA Talks
- 20 Korea-Canada FTA
Korea-Canada FTA Creates US\$17 Trillion North American Free Trade Market
- 21 Regional Development
President Park Urges Each Region to Be Principled in Propelling Regional Development
- 22 North Gyeongsang Province
Home of Saemaeul Movement, Ensuring Better Future through Creative Economy and Cultural Renaissance
- 24 Incheon Port Authority
Incheon Port Authority Growing Towards Seaport Hub of Northeast Asia

ECONOMY & FINANCE

- 26 Economic Reform Plan
Three Year National Economic Reform Plan to Cover Next 30 Years
- 27 Fed's Appraisal
Korea Expected to Take Little Hit from

Tapering Due to Robust Economic Fundamentals

- 28 Investment-friendly Environment
Foreign Representatives Complain of Inconsistent Regulations
- 29 Weak Yen Strategy
Korea Chamber of Commerce & Industry Proposes New Strategy against Weak Yen
Per Capita Competition
Failure of Abenomics Leads Korea to Surpass Japan in Per Capita Income by 2020
- 30 Foreign Loans Due
US\$31.3 Billion in Foreign Loans Coming to Maturity This Year
- 31 Effects of Creative Economy
IPO Market to Approach 4 Trillion Won This Year
- 32 High Returns
Foreigners Get High Returns in Bearish Seoul Bourse
Picky Foreign Investors
Foreign Investors Focusing on Samsung Electronics, SK Hynix Shares 33
Insolvency Risk
25 percent of Listed Korean Companies Facing Insolvency Risk
Corporate Savings
Corporate Savings Rate Dangerously High
- 34 KOSDAQ Separation
KOSDAQ to be Separated from Korea Exchange for Listing More SMEs
- 35 Fake Foreign Investors
Investors Posing as Foreign Disturbing IPO Market
- 36 Overseas Fund Investment
Alternative Energy and Healthcare



Kim Choon-sun, president of Incheon Port Authority (IPA).



LG Chem's Corporate Social Responsibility (CSR) Activities.



Samsung Electronics Chairman Lee Kun-hee.

Sectors Drawing Foreign Fund Investors' Attention
Pension Fund
National Pension System Distinguishing Itself with High Return on Assets

INDUSTRY & COMPANIES

- 38 Love of Young Dreams
LG Group Cherishing Hopes and Dreams of Younger Generation
- 39 Social Contribution Overseas
LG Chem Donates "Full of Hope" Library to Vietnam
- 40 Dividend Income
Samsung Electronics Chairman Lee Kun-hee Tops Dividend Income List for 2013
- 41 Desolate SK Group
Supreme Court Upholds Prison Terms for SK Group Chief, VP
Hanwha Group Chairman Door Opens for Normalization of Hanhwa with Suspended Prison Term Given to Kim
- 42 Expansion of Risk
Ukrainian Crisis Showing Signs of Leading to Stagnation of Emerging Economies
- 44 Continuous Trade Surplus
Korea's Exports Amounted to US\$42.9 Billion in Feb, Up 1.6 Percent from 2013
Speedy Export Growth
Last Year's Korean Export Volume Growth Third Fastest in the World
- 46 AP Development Competition
Why Is Samsung Taking So Long to Develop a 64-bit Application Processor?
Focus on System-on-chips
Samsung Electronics Releases New Mobile Component Products in Quantity
- 47 New Management Lineup
Why Did SK Hynix Recruit Former Samsung Executives?
- 48 DRAM Prices
Downward Trend in DRAM Prices Likely to Continue in Q1
20 Nm DRAM
Samsung Electronics First to Mass Produce 20 Nm 4Gb DRAM
- 50 Virtual Desktop Access
Korea's DaaS Technology Approved as International Standard for Cloud Computing
Desktop Alternative
Desktop Virtualization Emerging as Alternative to Windows XP
- 51 Touch Screen Industry
TSP Makers Exposed to Harsher Competition Conditions

- 52 Threat of Microsoft
Nokia-merged Microsoft Likely to Use Dominant Position in Patents
Market Dominator
Samsung Occupying More than Twice Apple in Smartphone Market Share
- 53 Mobile OS Monopoly
Korea Concerned about Serious Dependence on Google's Android
Susceptibility to Malignant Code
Google's Android Platform, #1 Mobile Malware Target in 2013
- 54 Lobbying Expenditures
Samsung, Apple both Boosted Spending on Lobbyists Last Year
Apple's Request Dismissed
Apple Loses Lawsuit to Ban Sales of Samsung Devices in US
- 55 Spiteful Remarks
A German Blogger Writes "Has Apple Lost Its Mind?"
- 56 Global Mobile Messenger War
Facebook's Takeover of WhatsApp Threatens Line, Kakao Talk
- 57 Mixed Response to Galaxy S5
Why Was Galaxy S5 Unveiled Earlier than Expected?
- 58 Auto Industry in February
Korea's Auto Sales Increase 5.8% in February
- 60 Feb Import Car Sales
Korea's Imported Car Sales Jump up 31.2% from a Year Ago
Import Car Repair Cost
Imposing Huge Burden after Expiration of Warranty
- 61 Kia's Electric Vehicle
"Soul EV" Unveiled with Ultra Power-saving Tech
- 62 Losing Growth Momentum
Renault Samsung Motors Hasn't Produced A New Model in 7 Years
- 63 Necessary Action
Calling on Increase of Direct Investment in Ssangyong Motors by Mahindra
- 64 US GLP Project
SK E&C Inks MOU for Natural Gas Liquefaction Plant in US
Algeria Gas Project
Samsung Engineering Wins \$800M Algerian Gas Field Development Deal
Coal Development in Mongolia
KOGAS Signs MOU with Mongolia on Coal Development
Indonesian Railroad Project
Hyundai E&C Seeking Participation in \$1.6B Indonesian Railroad Project
Power Plants in Algeria
Korean Builders Win Five Power

- Plant Construction Projects in Algeria
- 66 Shipbuilding Orders
Korean Shipbuilders Rank Top in New Orders for 2nd Straight Month
Shipbuilding Competition
Korean Shipbuilders Beat Chinese Rivals in January Orders
- 67 Singaporean Threat
Singaporean Shipbuilders Zeroing in on Deep-sea Drill Ship Market
LNG-FSRU
Major Korean Shipbuilders Going for LNG-FSRU in Earnest

MICE

- 68 Fast and Furious
Largest and Hottest US Auto Rave Comes to Korea
ITU Plenipotentiary Conference
Preparatory Committee Kick-off Meeting Sparks Close Cooperation

SME

- 70 Correction of Reverse Discrimination
Global Service Providers Banned from Korea's Public Procurement
Obstacle to Virtuous Cycle
Fund Recovery from Venture Investment Facing Difficulties
- 71 Nurturing Hidden Champions
Samsung Actively Seeking to Foster Business Partners with Growth Potential
Customized Technical Support
ETRI Accelerates Promotion of SMEs through Support Project

SCIENCE & TECHNOLOGY

- 72 3D Graphene
Korea Develops 3D Graphene-making Technique
New Lithium Battery Tech
Korea Develops Tech to Improve Performance of Lithium Batteries
- 73 New Solar Cell Technology
Korea Research Team Develops Tech for Inverted Colloidal Quantum Dot Solar Cells
- 74 K-Glass
Korean Research Team Develops K-Glass with Built-in Augmented Reality Chip

CULTURE

- 76 e-Sports
Korea's Position as Global e-Sports Leader under Threat
- 77 Heavy Cultural Blow to China
Washington Post Runs Article about Korean Soap Operas

Korea's Most Influential Business Monthly Since 1983

BUSINESSKOREA

Chairman: Han Kon-ju
Senior Advisor: Kim Kook-hyun
Publisher & Editor-in-Chief: Park Jung-hwan

Managing Editor: Matthew Weigand
General Editor: Lee Kwang-soo
Culture/Tourism Editor: Choi Mun-hee
Supplementary Editor: Lee Song-hoon
Senior Reporter: Jung Yeon-jin
Copy Editor: John Rule, Kevin Kim
Reporter: Cho Jin-young, Lee Sang-yong, Sung Nak-won
US Correspondent: Citi Kim
Contributing Writers: Seok Joon, Suh Bo-yun, Gho Chang-soo
Designer: Lindsay Cha

Vice President: Choi Nam-seok
Senior Ad & Marketing Manager: Kim Nam-ju
Advertising Manager: Jung eui-jung
Administration Manager: Jung Min-hee
Circulation Manager: Lim Moon-joo

PUBLISHED BY : BusinessKorea Co., Ltd. : 301 Samdo Building,
 12-1 Yeoido-dong, Yeongdeungpo-gu, Seoul, Korea 150-010
Mailing Add.: 301 Samdo Building,
 12-1 Yeoido-dong, Yeongdeungpo-gu, Seoul, Korea 150-010
Tel: (02)578-3220 **Fax:** (02)578-3224
 Government Registration Number: RA-2743 Dated March 18, 1983.
 Printed by Hwashin Printing Tel: (02)2277-0624

Overseas Representatives

Australia

McLean Media Representations Pty., Ltd.
 P.O. Box 544, Newtown NSW 2042, Australia
 Tel: (612) 519-6455, Fax: (612) 577-1614

Belgium

Staf Wuyts, AD International
 Bld. Lambermont 140 B-1030 Brussels, Belgium
 Tel: (02) 216-0730, Fax: (02) 216-4632

Canada

Globe Media International
 444 Front Street West, Toronto, Ontario, Canada M5V 2S9
 Tel: (416) 585-5415, Tlx: 06-219629, Fax: (416) 585-5275

Finland

Seppo Lehtinen, Seppo Lehtinen Oy
 Fredrikinkatu 33 B, 00120 Helsinki, Finland
 Tel: (90) 611471, 647412, Tlx: 12-2814 sigco sf, Fax: (90)609114

Germany

Franz Brunsing, Industrial Export Services
 Buttgenweg 18, D 4000 Dusseldorf 11, Federal Republic of Germany
 Tel: (0211) 59 26 22, Tlx: 8587465 SERV D, Fax: 49-211-59-611-43

Hong Kong

Serina Cheung, Managing Director, Media Services Network
 10/F Flat A, Sun Hey Mansion, 72 Hennessy Road, Wanchai, Hong Kong
 Tel: 529-3677, Fax: 866-2398

Indonesia

Voly de Rivera
 P.T. MEDIANET INTISARANA
 Kerayoran Baru, Jakarta Selatan 12110, Indonesia
 Tel: 7202587, 7202488 Fax: 7202651

Italy

Carlo E. Calcagno, Studio Calcagno Srl,
 International Media Representative
 Via Copernico, 22-20125, Milano, Italy
 Tel: (392) 689-4891 Fax: (392) 607-0773

Japan

Japan Advertising Communications
 Three Star Building, 3-10-3 Kanda Jimbocho Chiyoda-ku, Tokyo 101
 Tel: (3) 3261-4591, Fax: (3) 3261-6126

Netherlands

A.A. Van der Graaf, Office Manager
 Publicitas b.v., Maassluisstraat 414, 1062 GS Amsterdam, Netherlands
 Tel: 020-178795, Tlx: 11656 PUBAM NL, Fax: 020-174414

Philippines

Mr. Paul Ligonos, ASPAC
 P.O. Box 7226, Domestic Airport Post Office
 Tel: 827-3950, 827-4477, Tlx: 64838 LTA BCPN, Fax: (632) 817-5802

Singapore

Hoo Siew Sai
 Major Media Singapore Pte Ltd., 6th Floor, 52 Chin Swee Road
 Singapore 0316
 Tel: 7380122, Fax: 7382108

Sweden, Norway and Denmark

Sten Janson, Business Books in Saro AB
 Gihlsrovagen 19, S-43040 Saro, Sweden
 Tel: 46-31936220, Fax: 46-31151333

Switzerland

Joseph Pollet, Managing Partner
 IFP International Publications Partners
 P.O. Box 3329, CH-4002 Basel Tel: 061/35 27 66, Fax: 061/35 24 88

Taiwan

Lewis Int'l Media Services Co., Ltd.
 Floor 11-14, No. 46, Sec. 2, Tun Hua South Road, Taipei, Taiwan,
Republic of China

Tel: 886-2-7075519 or 7087727, Fax: 886-2-7098348

Thailand

Anthony Sharma, Thai Representation Ltd.
 Thai Representation-867 58 Sukhuvit 101, Prakanong, bangchak, Bangkok
 10260, Thailand
 Tel: 662-3320503-4, 662-3319690-2 Fax: 3319303

United Kingdom

Anthony Turner, Managing Director, The Colin Turner Group
 City Cloisters, 188-196 Old Street, London EC1V 9BX
 Tel: 71-490-5551, Tlx: 261140 TURNER G, Cable: TURNERSYND
 LONDON ECI
 Fax: 71-490-2271

U.S.

Madiene Olson
 Marston Webb International, 60 Madison, Ave., New York, N.Y. 10010
 Tel: 212-684-6601, Tlx: 420773 BRANINT, Fax: 212-725-4709



Deregulation & Subsidy

The Park Geun-hye government has recently announced a new three-year plan for economic reform in a movement towards deregulation and public sector renovation.

The problem is that past administrations have pursued the same goal with similar initiatives, only to result in an increasing number of regulations imposing a heavier burden on

the corporate sector. According to the Regulatory Reform Committee, a total of 15,007 sets of regulations are in place as of the end of June last year. The number has increased 44.7% from 1998, when the current system for regulation registration was put into practice. The reasons for the past failures need to be examined thoroughly if the new attempt will be successful.

One of the most urgent parts to examine is government subsidies. Public sector reform and deregulation cannot but fail yet again unless the complex subsidy structure is overhauled. Regulation and subsidies are like two sides of a coin. Even at this very moment, excessive subsidy-based projects are mushrooming, and this moral hazard is harming the economy with a large amount of subsidies from the government misused and misappropriated. This will hamper the growth of the creative economy, acting as a roadblock to Korea's efforts to reach US\$40,000 in per-capita income.

The story is exactly the same for financial support for small and mid-sized enterprises. More than 100 types of subsidies are in place for them, and even the beneficiaries themselves are having a hard time drawing distinctions between them. Besides, the types of subsidies for R&D activities amount to hundreds as of now. This implies that many regulation criteria are in place in that regulations coexist with privileges. The government's budget allocated for research institutes, which amounts to 16 trillion won (US\$14.9 billion), is currently executed inappropriately by any means. Still, new support measures are pouring out day after day for the purpose of venture and start-up promotion.

Almost all of the ministries, including the Ministry of Science, ICT and Future Planning, the Ministry of Trade, Industry and Energy, and the Small and Medium Business Administration, have decorated their recent reports to the President with demands for more subsidies. Even the central government repeated the same old habit in the three-year plan by promising an extra 760 billion won (US\$709 million) for the Young Start-up Fund, 200 billion won (US\$186 million) for the Korea Yozma Fund, expansion of the Creative Economy Vitamin Project, etc. Many organizations are already using their heads to get more of the money. The government provides 900 million won (US\$840,500) for each of those attracting just 100 million won (US\$93,400) of new investment from a venture capital or an angel investor. Inevitably, fraudsters can be found all around. A second venture boom can have no meaning at all with the situation as it is, because a cut in the supply of the financial resources will lead to an immediate collapse.

As mentioned above, regulation and government support are two sides of a coin, functioning in the same way to distort free market structures. When government support is the yardstick to tell the winners from the losers, market participants defying the status quo and challenging the risks are thought of as fools. The government subsidy structure has to be overhauled immediately if mature entrepreneurship is to take root.

Park Jung-hwan,
 Publisher & Editor-in-Chief

건강한 물 을 통한 국민복지 실현, K-water의 사업이념입니다

K-water는 미네랄이 균형 있게 함유된
건강한 수돗물을 만들어, 수도꼭지까지 안전하게 공급하고,
그 결과를 소비자가 직접 확인할 수 있도록
물 안심 서비스를 구현하겠습니다

새롭게 시작하는 '건강한 물, K-water' 프로젝트

1 Smart Water Grid 인프라 구축

Smart Water Grid는 첨단 정보통신기술이 집적된 차세대 지능형 물관리 시스템입니다.
K-water는 SWG를 구축하여 물의 생산과 수송의 전 과정을 더욱 안전하고 효율적으로 관리하겠습니다.

2 인체에 이로운 건강한 물 생산

의료계와 협업으로 미네랄이 균형 있게 함유된 물을 생산하여
좋은 물의 참맛을 찾아내고 인체에 건강한 물을 공급하겠습니다.

3 Total Care Service 채택

수돗물 품질 확인제, 옥내 배관 내시경 탐사, 배관 세척 및 교체 등을 통해 고객 불안을 해소하고,
건강한 수돗물에 대한 신뢰를 쌓아가겠습니다.

국민이 행복한 변화가 시작됩니다!

※ K-water는 한국수자원공사의 또 다른 이름입니다

대한민국이 마시는 건강한 물 K-water

Samsung's Initiative for Reforming Salary System

Samsung Adopts New Salary Peak and Retirement at 60, Followed by Other Affiliates



Samsung Electronics introduces a salary peak system this year, while extending the retirement age to 60.

Samsung's salary system reform at this time is expected to create a breakthrough in the other big businesses' related discussions. They have been unwilling to move ahead with discussions so far, although the retirement age is extended to 60 by law from 2016. The entrepreneurs are insisting on the introduction of a salary peak system in order to cope with increasing labor costs, with the retirement age scheduled to be extended soon.

Few Korean companies have adopted the system though. According to the Ministry of Employment and Labor, just 16.3% of the companies with at least 100 employees ran it as of the end of 2012. They include GS Caltex, Daewoo Shipbuilding & Marine Engineering, LG Electronics, and LS Cable & System.

In the meantime, those with 300 or more employees and the rest are required to extend their retirement age

to 60 in 2016 and 2017, respectively. This is based on the revision to the Act on Prohibition of Age Discrimination in Employment and Aged Employment Promotion, which passed the National Assembly in April last year.

The revision includes no mandatory provision about a peak salary. Instead, just an ambiguous clause was added during the parliamentary passage, reading, "An employer and the representative of employees have to take action, if deemed necessary, such as wage system reform." The National Assembly

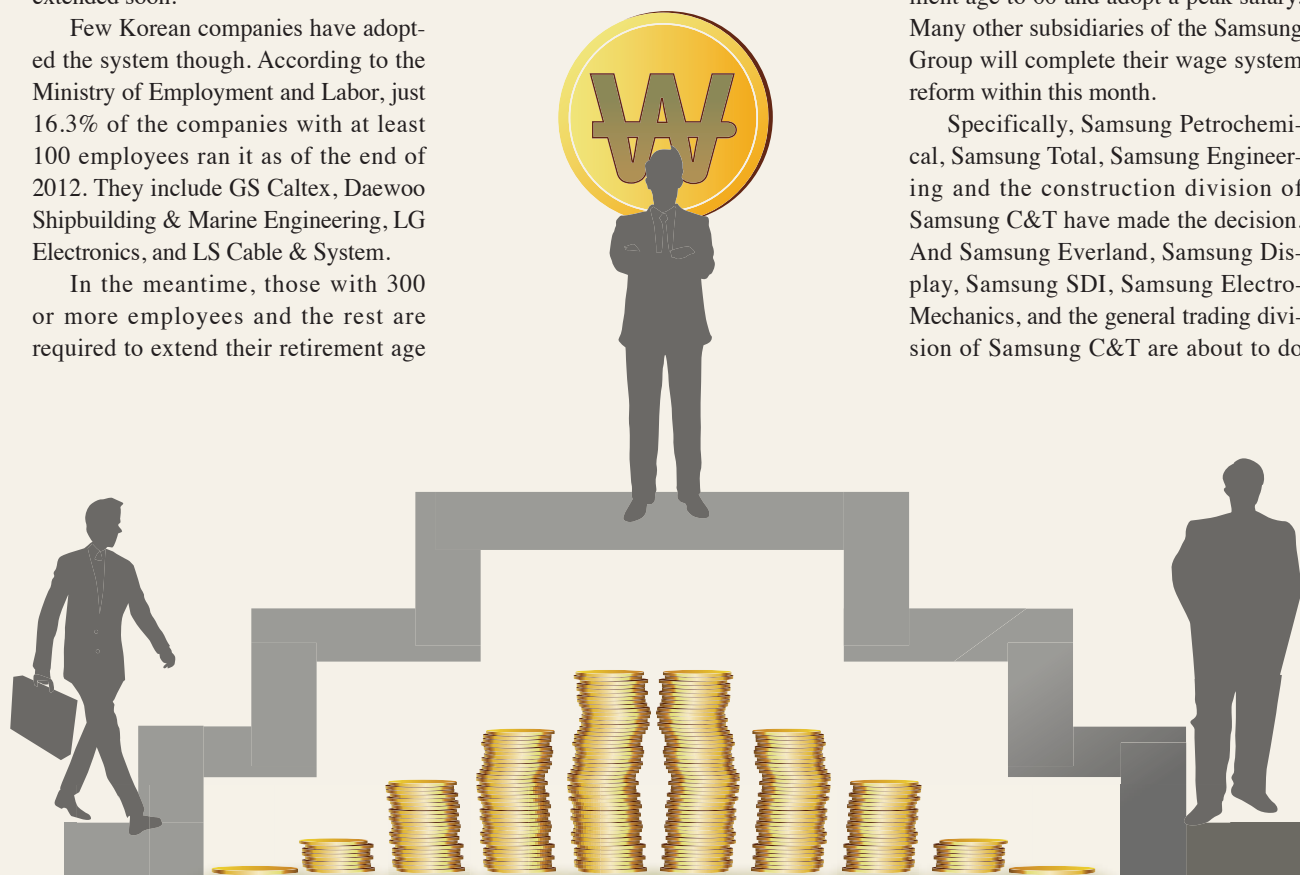
stopped there because of the possible opposition from the labor world.

Under the circumstances, it is predicted that the introduction of a peak salary system will be one of the hottest issues, along with the normal wage, in pay negotiations down the road.

Subsidiaries of Samsung Group Adopt Reformed Wage Systems

Samsung Electronics made a final decision to extend its employees' retirement age to 60 and adopt a peak salary. Many other subsidiaries of the Samsung Group will complete their wage system reform within this month.

Specifically, Samsung Petrochemical, Samsung Total, Samsung Engineering and the construction division of Samsung C&T have made the decision. And Samsung Everland, Samsung Display, Samsung SDI, Samsung Electro-Mechanics, and the general trading division of Samsung C&T are about to do





Samsung Electronics' 44-story headquarters building in Samsung Town, Seocho-gu, Seoul, South Korea. (Photo courtesy of Oskar Alexanderson/Wikimedia Commons)

so. "The official announcement of the introduction of the extended retirement age and salary peak is likely to be made before the end of this month," said an executive member of the group.

Samsung Electro-Mechanics is planning to hold an information session for its employees next week. Cheil Industries, which has applied a peak salary to some of its workplaces, is currently discussing the introduction of the new systems to all of its employees as well. Under the circumstances, the majority of Samsung's subsidiaries are likely to adopt the systems within this month.

According to the wage system reform plan of Samsung Electronics, the retirement age is extended to 60, while the annual salary is cut by 10% from the previous year's total for employees aged 55 or older. They can be paid 90 million won at 56, 81 million won at 57, 73 million won at 58, 66 million won at 59 and 60 million won at 60, if they received 100 million won at 55.

The Samsung Group's overall performance incentive (OPI) and profit sharing (PS) incentive systems are going to be changed to be based on salary. The amounts of the incentives are expected to be reduced along with the peak salary.

Samsung Affiliates Agree to Forgo Retroactive Wage Payments

The major affiliates of Korea's largest business group Samsung reportedly decided to waive retroactive payments.

Amid a recent upsurge of interest in ordinary wages, the industry is paying attention to how Samsung Group's decision will affect the industry. Many think that Samsung's move is more likely to play an important role for the handling of ordinary wages.

According to sources in business circles and the chemical industry on March 10, the labor and management of and Samsung Engineering and Samsung Group's major chemical affiliates such as Samsung BP Chemicals, Samsung Petrochemical, and Samsung Total Petrochemicals made a decision to forgo the three years increase in wages resulting from retroactive payments at the table for this year's wage negotiations.

Given the Supreme Court ruling that includes regular bonuses in the ordinary wage issued on December 18 of last year, Samsung employees were entitled to demand retroactive payments for the last three years through labor-management consultation bodies, but decided not to. The decision is attributable to the

possibility that retroactive payments will undermine profitability, and thus have a negative impact on future wage negotiations.

This move is also observed in Samsung's technological arms such as Samsung Electronics, Samsung Electro-Mechanics, and Samsung SDI. Samsung Electronics is planning to waive retroactive payments and to include regular bonuses in ordinary wages. Other electronics affiliates have yet to reach an agreement, but they are expected to follow suit.

Unlike other Samsung subsidiaries, the management and unions of Samsung Heavy Industries and Samsung Fine Chemicals are reportedly still negotiating over ordinary wage payments or pursuing a legal action.

Meanwhile, other major business groups such as Hyundai Motor Group, SK, and LG are working to establish measures related to retroactive pay. The labor union of Hyundai Motor decided to demand the expanded scope of ordinary wages in this year's negotiations for wages and collective bargaining agreements. The labor union is planning to demand that the company raise wages as much as 159,614 won (US\$149.88), and include regular bonuses and fringe benefits in ordinary wages. ■



Water Industry

Water on the Rise as "Blue Gold"

The use of water is increasing rapidly with the increase in the global population, but the supply of water remains scarce. According to the OECD, more than 340 million people in 28 countries are having difficulties in getting water, and the number is expected to increase to three billion in 52 countries by 2025.

This is why the water industry, including the production and supply of residential and industrial water and the transport and treatment of wastewater, is drawing more and more attention in the current era. The water treatment sector, which covers the supply of freshwater and ultra-pure water, is currently accounting for the largest portion of the industry.

Global Water Intelligence (GWI), a London-based research institute, has recently forecast that the global water market will grow from US\$482.8 billion to US\$865 billion from 2010 to 2025. The OECD has predicted that the total investment in the water industry infrastructure will reach US\$1.037 trillion by 2025, too. According to the Korean government, the global water industry is estimated to reach 1.600 quadrillion won (US\$1.497 trillion) by 2015.

The government is planning to grow the domestic water industry to at least 20 trillion won (US\$18.7 billion) in size by 2016. At the same time, it is going to put more than two water treatment companies on the global top 10 list until that year.

Korea, in fact, is already a leading player in water supply and drainage system construction and seawater desalination. Hyundai Engineering & Construction has completed a number

of overseas projects with great success, and Doosan E&C's share in the global seawater desalination equipment market is as high as 40 percent.

The growth of the domestic water treatment market has been led by public-sector organizations, including the Korea Water Resources Corporation. However, an increasing number of private-sector companies are participating in this market these days. Samsung, KOLON, Doosan, Hyosung and many more are expanding their business in the fields of water treatment, plant construction, and materials development.


Doosan E&C, as stated above, is the world's largest seawater desalination equipment supplier, and the KOLON Group, regarding water as one of its future growth drivers, is in pursuit of the vertical integration of its water business units. Hyosung and SK Energy are working on related technologies, too.

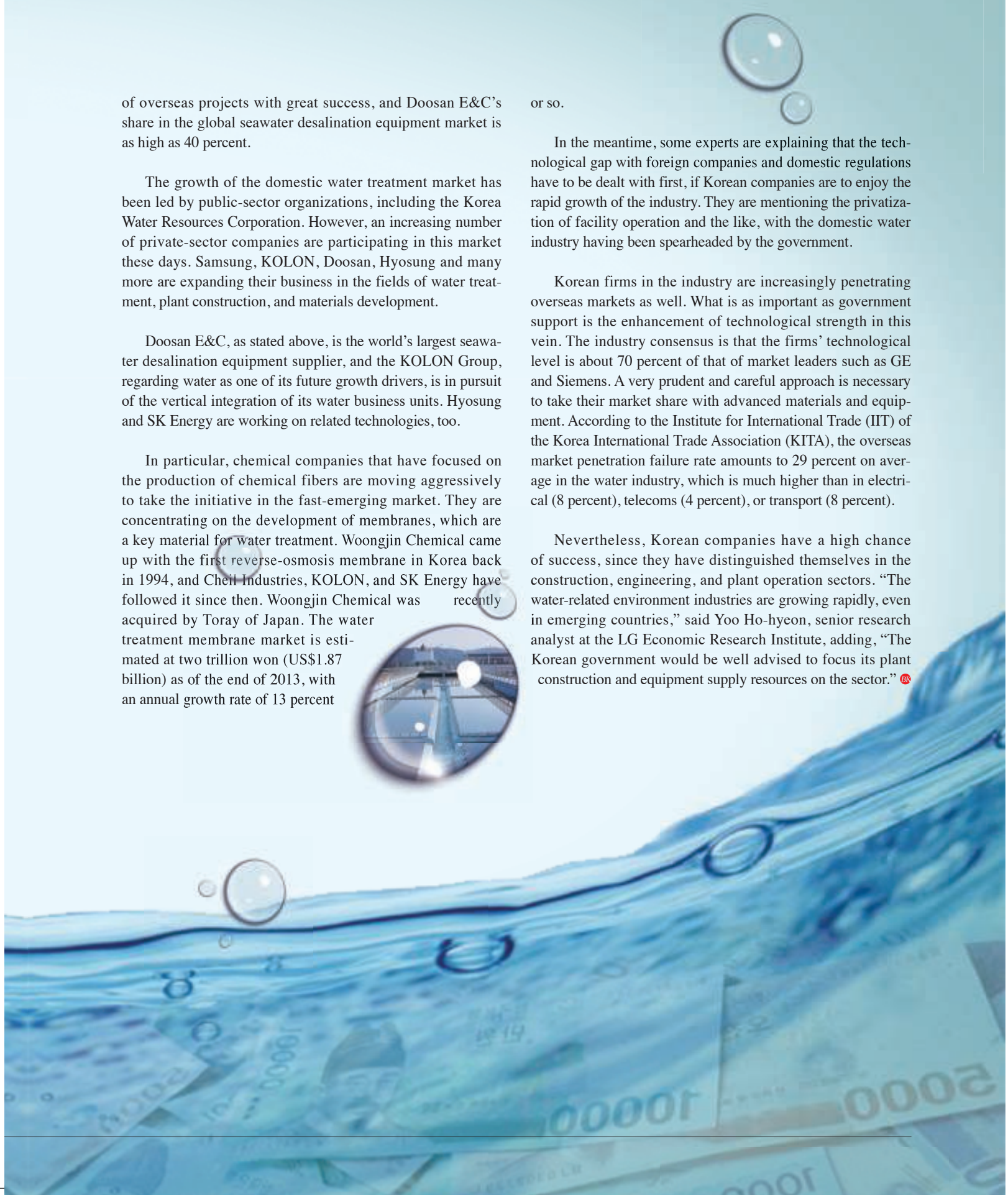
In particular, chemical companies that have focused on the production of chemical fibers are moving aggressively to take the initiative in the fast-emerging market. They are concentrating on the development of membranes, which are a key material for water treatment. Woongjin Chemical came up with the first reverse-osmosis membrane in Korea back in 1994, and Cheil Industries, KOLON, and SK Energy have followed it since then. Woongjin Chemical was recently acquired by Toray of Japan. The water treatment membrane market is estimated at two trillion won (US\$1.87 billion) as of the end of 2013, with an annual growth rate of 13 percent

or so.

In the meantime, some experts are explaining that the technological gap with foreign companies and domestic regulations have to be dealt with first, if Korean companies are to enjoy the rapid growth of the industry. They are mentioning the privatization of facility operation and the like, with the domestic water industry having been spearheaded by the government.

Korean firms in the industry are increasingly penetrating overseas markets as well. What is as important as government support is the enhancement of technological strength in this vein. The industry consensus is that the firms' technological level is about 70 percent of that of market leaders such as GE and Siemens. A very prudent and careful approach is necessary to take their market share with advanced materials and equipment. According to the Institute for International Trade (IIT) of the Korea International Trade Association (KITA), the overseas market penetration failure rate amounts to 29 percent on average in the water industry, which is much higher than in electrical (8 percent), telecoms (4 percent), or transport (8 percent).

Nevertheless, Korean companies have a high chance of success, since they have distinguished themselves in the construction, engineering, and plant operation sectors. "The water-related environment industries are growing rapidly, even in emerging countries," said Yoo Ho-hyeon, senior research analyst at the LG Economic Research Institute, adding, "The Korean government would be well advised to focus its plant construction and equipment supply resources on the sector." 



The 7th World Water Forum

Sharing
Value of Water

Lee Jung-Moo

chairman of the National Committee for the 7th World Water Forum

Water issues were first discussed in the United Nations Conference on Environment and Development (UNCED) in 1992. Starting from the first World Water Forum in Morocco in 1997, six forums have taken place so far. Unlike other international events, the World Water Forum is an occasion where critical water issues are discussed in a substantial way to come up with solutions, including drawing up a declaration and calling for action.

The World Water Forum was organized by the World Water Council, which is the largest international and independent organization about water, with the participation of about 312 international organizations, governments, academic circles, NGOs, and public and private enterprises.

South Korea is the host country of the 7th World Water Forum. Business Korea met Lee Jung-moo, chairman of the National Committee for the 7th World Water Forum, to hear about his preparations for the global water event and expectations of ripple effects resulting from hosting it.

What is your determination one year ahead of the World Water Forum?

Hosted by the World Water Council every three years, the World Water Forum is the largest international expo in the global water industry. I am very proud and feeling great responsibility with the upcoming event scheduled to take place in Korea for the first time.

The 7th World Water Forum in Daegu City and North Gyeongsang Province will be a great opportunity for Korea to foster the growth of the domestic water industry and show off its advanced water resources management techniques. At the same time, we are planning on various campaigns to increase the awareness of the value and significance of water with the problem of water scarcity emerging nowadays.

Through the various programs and additional events, countries all around the world will become one in the international expo.

What is your organizing committee preparing to do for World Water Day?

We have come up with a variety of events to celebrate World Water Day on March 22 to share the value of water and boost the awareness of the World Water Forum, which is slated to kick off on April 12, 2015.

The examples include the recruiting of young honorary ambassadors by the name of World Water Forum Blue Road Supporters, online events for collecting WWF promo appreciation reviews, and the education programs of Project WET. I hope that more and more people will participate in these events.

The detailed information is available at the official website of the World Water Forum 2015 at worldwaterforum7.org.

What is the size of the event and the effects anticipated from it?

It is expected that the World Water Forum 2015 will be attended by approximately 35,000 persons from 200 or so countries, including high-ranking government officials, entrepreneurs, scholars, NGO figures, and journalists.

The forum can be divided into four processes, that is, the Thematic Process, the Political Process, the Regional Process and the Science & Technology Process, a new process this year. In addition, Citizen Forums and many additional events are going to be available.

The forum, on the part of Korea, is a chance to take the initiative of water-related issues in the global arena. Also, its water management technologies and experiences will be shared with the entire world through the Science & Technology Process, so that the international standing of Korea in the global water industry can be increased and an increasing number of Korean companies can make inroads into overseas markets. More than 260 billion won [US\$242.8 million] of economic benefits and 2,500 jobs are predicted to be created through the event.

Please explain the outcome of the recent Stakeholders Consultation Meeting.



The 2nd Stakeholders Consultation Meeting held between February 27 and 29 in Gyeongju, Korea

The organizing committee successfully hosted the 2nd Stakeholders Consultation Meeting in Gyeongju between February 27 and 29. The meeting was the largest one in its history, attended by 725 persons from 59 countries. The official logo and slogan of the World Water Forum 2015 were announced at the meeting.

In addition, the 16 major themes to be discussed at the forum were finalized and the organization of the working group started in earnest to manage the more than 300 sessions of the main event. All of the parties concerned, such as government institutions, the academic community, civic organizations and NGOs previewed the event for next year while having in-depth discussions about its direction and detailed programs.

The organizing committee will make thorough preparations for the forum, based on the outcome of the Stakeholders Consultation Meeting, during the remaining period. It will set up final plans associated with transport, accommodation, participant registration, and the like as well, while working on comprehensive logistics services for the convenience of the attendees.

You have announced that the core value of the World Water Forum 2015 lies in practice. What does that mean?

The unique message of the 7th forum is practice. The past forums have concentrated on collecting various solutions for the current global situations, but the 7th forum will establish mechanisms to put such ideas into practice.

This is why the Science & Technology Process was set up at this time. The process will be a significant momentum with which science and technology, important tools for the practice, will be exchanged among countries to lead the sustainable growth of related technologies. Additionally, Korea will make the most of the process to spread its experiences and technologies to those suffering water problems and help them achieve actual benefits.

The 7th forum is the second one held in Asia, following the 3rd World Water Forum in Japan 11 years ago. As such, it will be an opportunity to observe water problems from the perspective of Asia, not the Western World, and draw a new future for the industry.

The Daegu and North Gyeongsang region is aiming to turn itself into a linchpin of the water industry by capitalizing on the event, but it is also said that the

Logo and slogan of the 7th World Water Forum



**WATER FOR
OUR FUTURE**

Patterned after the Taegeuk, or the yin and yang symbol, and created with Indian ink, the official logo symbolizes the rising sun above the East Sea. The official slogan, "Water for Our Future," contains our determination to prepare for a better future through specific actions and practices.

region still has some tasks to promote the growth of related companies and attract research institutes.

The region has dealt wisely with water problems such as water pollution, scarcity, and natural disasters through the course of industrialization. It is one of the textbook examples that have turned crises into opportunities for the growth of the water industry.


The World Water Forum 2015 will add to its successful efforts through the establishment of water industry clusters and the revitalization of companies in the sector. Daegu City is working on water clusters, and North Gyeongsang Province has already attracted a number of leading enterprises in the sector. They will beef up their organic cooperation through the forum and become the center of the water industry of Korea.

I would like to emphasize that the Daegu and North Gyeongsang region has attracted the international event with a clear vision to becoming a leading player of the global water industry. Dedicated efforts have been made in the form of various water-related events, water expos and the Nakdong River International Water Week. Though in the early stage yet, the endeavor has definitely led to tangible results.

The Park Geun-hye government has recently selected sustainable water management and sound water environments as two of its national policy tasks. What are the prerequisites for Korea to be a powerhouse of the global water industry?

Korea's water sector grew in size from 12.6 trillion won [US\$11.7 billion] to 16 trillion won [US\$14.9 billion] between 2007 and 2011, which is the eight-largest in the world. However, Korea accounts for just 0.3% of the global market due to some delay in overseas market penetration. This implies that the sector has a huge potential for future growth as a driver of creative economy.

At present, the global water market is forecast to grow at an annual average rate of at least 4 percent down the road, and it is estimated to have doubled the semiconductor and shipbuilding markets, reaching approximately US\$500 billion, as early as 2010.

What is required under the circumstances is the enhancement of integrated solution capabilities and the training of experts and R&D of technologies, not to mention the development of the existing fields where Korea has distinguished itself, such as water supply, drainage management, and seawater desalination. 

Daegu Metropolitan City

Setting Up Global Hub of Water Industry



Jhin Yong-hwan

director general of the World Water Forum Support

Daegu is the host city of the 7th World Water Forum, which will be held at the city's convention center, EXCO, from April 12 to 17, 2015, together with North Gyeongsang Province. The expo is expected to provide an opportunity for the city and the country to project an image of leading the water industry at home and abroad, giving the local water indus-

try more chances to enter overseas markets. Daegu City is paying full attention and making every effort to prepare for the great success of the forum. At the center of such efforts is Jhin Yong-hwan, Director General of World Water Forum Support Bureau. Business Korea sat with him to hear what the city is preparing and aiming to achieve by hosting the global event. Excerpts from the interview with him are as follows.

Would you briefly explain the difference between the coming forum and previous ones?

Held every three years near World Water Day (March 22), the World Water Forum is the world's largest water event. It's like the Olympic Games for the water industry.

The 7th World Water Forum will be held here in Daegu under the slogan of "Water for Our Future." It will be the first time for the nation and the second time for an Asian country to host the event.

The core message of this forum is "implementation." While previous meetings focused on seeking various solutions, the 7th forum is aimed at building a mechanism for putting ideas into action.

To achieve the goal, a science and technology process was created for the 2015 forum, which will serve as an opportunity to promote exchange of technologies between countries – an

important tool for implementing new ideas – and to become a critical part of achieving the sustainable development of related technologies.

What is the significance of selecting Daegu City and North Gyeongsang Province to host the next forum, and what are the expected effects?

The Daegu and North Gyeongsang Province region (Daegu region) is the center of political and cultural activity in the nation, which has been developed centered on the Nagdong River. The region is the prime example of a place where water-related problems such as water pollution, water shortages, and disasters driven by industrial modernization were addressed wisely.

The 7th World Water Forum will serve as an opportunity for the region to create an image of an area that leads the water industry at home and abroad by speeding up the creation of a water industry cluster and the promotion of water companies, which Daegu is currently pushing ahead.

In addition, we anticipate that local companies will improve the image of the local water industry, and thus have more opportunities to enter overseas markets. It will be made possible by sharing our technologies for water management and experiences with other countries through the new Science & Technology process.

The forum is likely to create 2,500 new jobs and generate 260 billion won (US\$243 million) in economic ripple effects, which includes 130 billion won (US\$121 million) in production inducement effects, 60 billion won (US\$56 million) in value-added inducement effects, and 70 billion won (US\$65.5 million) in consumer spending.

What are the present conditions of the national water industry? And what kinds of benefits are expected from the fact that our country will host next year's forum?

The nation's water industry was worth about 16 trillion won (US\$14.9 billion) as of 2011, a 3.4 trillion won increase from 2007. The 2011 figure indicates that Korea is the eighth-largest market in the world.

The global water market was estimated at US\$500 billion as of 2010, more than twice the number of the semiconductor or shipbuilding industries, and it is projected to grow more than 4 percent each year. Our country has world-class technologies in desalination plants that convert sea water to drinking water, and water supply and drainage systems, and thus local firms are expanding their presence overseas.

However, the extent of local water firms' overseas expansion was valued at US\$1.5 billion as of 2008, making up merely 0.3 percent of the global water market. Hence, the field has

enormous potential to be another growth engine of our creative economy.

The water market is still dominated by the West, but water markets in Asia are expected to grow fast. Moreover, the combined management of water resources is emerging as a new foundation of the water industry. So, I'm confident that we will be able to sharpen our competitive advantage in the world market, if we take advantage of opportunities to integrate our geographical advantage and advanced IT technologies into the water industry.

What are the main points about the creation of a water industry cluster? How much progress has been made in the five-year plan that our country is pushing forward?

On Nov. 19, 2013, the creation of a water industry cluster in Daegu was chosen as a project on which a feasibility study would be conducted. The project is aimed at nurturing the local water industry, and it is one of many new infrastructure projects promised in President Park Geun-hye's presidential campaign pledges.

The 165,000 square meter water industry cluster will be built in the Daegu National Industrial Park, with an investment of 351.9 billion won (US\$329.4 million) from 2013 to 2017. It will attract and support companies related to the water industry by creating organizations such as a water industry support facility, a large-scale testbed research complex, and a water industry complex. In particular, the water industry support facility will play as a control tower to promote the national water industry, developing water-related materials, nurturing human resources, and supporting business development and marketing.

The Daegyeong region houses companies that retain core technologies related to the water industry, along with mechatronics firms and textile companies. So, it is possible to foster the water industry by developing the materials and processes of the industry through the integration of those companies in the region. In particular, Daegu is abundant in natural resources, since it has rivers like Nakdong River and Geumho River. Related industries like Information Technology (IT) and Bio Technology (BT) are developed in the area, and it is easy to get professionals from outstanding universities in the region. Thus, Daegu is an excellent place to establish a water industry cluster.

Based on these favorable conditions, the construction of a water industry cluster, a facility for the advancement of the water industry, a comprehensive water industry testbed research complex, and an integrated water industry complex will make the area into a hub of the nation's water industry.

To be specific, the facility for advancement of the water industry will play a role as a control tower to nurture the country's water industry. It will provide support for the development




of components and materials for the water industry. It will also help tenant companies with high-skilled manpower training, their marketing campaigns, and businesses. The Korean Water Partnership, water research institutes, and business centers are going to move in the facility.

The comprehensive water industry testbed research complex will have facilities for testing new water-related technologies. The complex is aimed at providing support for projects about water supply and drainage systems and wastewater reuse. In addition, projects to advance technologies for low carbon water treatment components and devices, and testbed projects for a smart water system and components used in wastewater treatment systems through the convergence of IT, BT, and Nanotechnology will get support as well.

The 48,000 square meter integrated water industry complex is expected to create synergy by attracting 200 water firms at home and abroad and supporting the development of new technologies. It will also provide support for marketing campaigns, promote overseas expansion of tenant companies, and encourage the sharing of technologies and information between companies. Starting with the creation of a basic plan in May 2013, the construction of the complex is scheduled to begin in 2016 and finish in 2017. Then, Daegu will receive a lot of attention as a mecca where new water-related technologies are created.

What is your plan to attract tenant companies? And what about incentives?

We are scheduled to hold a briefing in Seoul during April to attract businesses connected with the 7th World Water Forum, and to find a way to support enterprises through symposia in the latter half of this year.

To tenant companies, we are going to provide the industrial land necessary for new investment as much as possible, and to establish a custom-made specialized complex. To large-scale investment enterprises, we are planning to offer unprecedented incentives based on their investment and employment size by stipulating a Daegu Metropolitan City Ordinance on Company Support that they be provided subsidies of up to 50 percent of total investment. 

Policy Change in Water Management

Decision Process Needs to Be Changed from Top Down to Bottom Up

Annual precipitation per capita in Korea is 2,629m³, merely 1/6th of the world average (16,427m³). In particular, summer rainfall accounts for 70 percent of annual precipitation in the country. Since rivers are relatively short and steeply sloped, it is difficult to manage water, and thus the nation is vulnerable to floods.

Recently, floods and droughts have frequently occurred at the same time on the Korean peninsula, as the weather is being affected by climate change. Between 2010 and 2012, heavy rain caused havoc throughout the metropolitan area, as seen by the flooding of the quite busy Gangnam Subway Station. But droughts also triggered a limited water supply for 300,000 people in 2001 and 280,000 people from 2008 to 2009.

In response, the Korean government has made an effort to prevent flooding, and to secure and supply water resources in a timely manner. As a result, the amount of water used annually has increased from 5.1 billion cubic meters to 25.5 billion cubic meters, a five-fold increase from 1965 figures. In addition, the nation's penetration rates of waterworks have risen from 21 percent to 98 percent, a 4.6-fold increase. On top of that, the government has improved its ability to control flooding of up to 5.1 billion square meters of water by building 16 multipurpose dams. It has also increased river maintenance ratios as much as 80 percent.

However, water-related disasters still wreak havoc on the nation because of a rise in floods and droughts fueled by unpredictable climate change. Social discord such as friction with neighboring regions surrounding one water supply and controversy over dam construction projects continues to be seen in the country.

To deal with the problem, the Park Geun-hye administration has decided to strengthen the nation's water management system to respond to climate change. The administration is


planning to rule out political influences as much as possible, and to evaluate the Four Rivers Project in an objective and scientific manner, even though the pros and cons of the project are unclear at the moment. Based on the plan, the government intends to pursue its policy in a way that promotes national interest.

An official at the Ministry of Land, Infrastructure and Transport (MOLIT) remarked, "The Lee Myung-bak administration pushed forward with a broad range of policies to respond to climate change, and to address water shortages. The current administration is going to pursue more detailed policies that are convenient to people."

First, the government is going to expand infrastructure. It will do so by undertaking maintenance work in rivers, enhancing the safety of existing dams, expanding the water works system, and securing underground water resources. In particular, it will try to come up with an inclusive measure to prevent flooding, including a comprehensive flood control scheme in urban areas and a flood warning system to reduce flood damage in those densely-populated areas. Seoul is planning to restore damaged rivers and to manage already-reorganized rivers by classifying them as Waterfront Cultural Spaces and Spaces for Conserving the Ecology.

The government also made the decision to improve a procedure for any dam project that generates friction between neighboring areas, or opposition from environmental groups. The MOLIT said, "We are going to prevent social and economic losses, and to try to regain the public's trust in government policies by conducting a strengthened feasibility study, listening to local residents' opinions, and creating a procedure to reconcile conflicts."





It has been more difficult to construct a dam to develop new water resources. The phenomenon is attributable to a decreased amount of water in downstream areas propelled by the development of water sources in upstream areas, and worries over degraded water quality. The difficulty also arises from opposition by people living at the source of a river, on account of a restriction in various development activities and tension between development and environmental protections.

To address the problem, the government agreed to establish measures to secure alternative water resources, which include building underground dams, turning sea water into fresh water, and using rainwater.

In line with its prediction that demand for water will outstrip supply in the end, Seoul is going to create a water usage environment based on economic principles, to wean the country off of the industry that uses excessive water, to create an industrial structure for water reuse, and to privatize water work projects. To tackle water shortages in the long term, the legislation of water resources management regarding the effective use of existing facilities and the development of alternative water resources will be created.

In addition, problems related to water supply in the surrounding areas of Nakdong River are going to be resolved by mediating inter-regional disputes and by diversifying water sources, including producing water through a riverbank filtration process.

Meanwhile, the river environment in the nation is becoming more complicated, owing to climate change and a large-scale river maintenance project like the Four Rivers Restoration Project. Accordingly, it is getting more difficult to maintain and manage water resources.


Furthermore, a demand for water is likely to rise due to population growth, the expansion of local development proj-

ects, and the housing supply, in line with economic growth. The phenomenon is also attributable to urbanization and an increase in waterworks usage ratios. Other contributing factors to the worsening conditions for the management of water resources include deteriorating conditions for developing new water resources and the complicated interests of the people concerned.

Therefore, the establishment of a non-conventional way to manage water resources is increasingly needed to actively cope with changes in river environments resulting from natural and artificial factors.

The nation's water management is considered to be rather inconsistent and inefficient, arising from the different regulations of water management agencies and government departments and their decentralized work. Currently, several government departments such as MOLIT, the Ministry of Environment, the Ministry of Agriculture, Food and Rural Affairs, and the National Emergency Management Agency are in charge of water management, which raises concerns about redundancy and excessive investment. In other words, there is a lack of cooperation between the various government departments for water-related work.

Hence, the government is considering a way to maximize the efficiency of water management by merging the different organizations and functions of water management. It will do so by overhauling regulations and systems for the combined management of water resources.

An expert pointed out, "So far, the development, conservation, use, and maintenance of water resources in the country has been decided by the central government," adding, "I'd like to praise the effort of the Park Geun-hye administration, since its bottom-up approach reflects the opinions of beneficiaries and victims of water resources." 



Simultaneous Push of Multiple FTAs

Is There No Problem in Korean Government Pushing Simultaneous, Multiple FTAs?

The Korean government is moving swiftly to sign more FTAs within the first half of this year. In particular, it is focusing on the conclusion of the Korea-China FTA and the accession to the Trans-Pacific Partnership (TPP). In addition, more deals are expected to be signed with Canada, New Zealand, and Indonesia before the end of the first half.

Specific guidelines concerning free-trade items are likely to come out by then for the agreement with China. The ninth round of negotiations was wrapped up in January this year, and the next round is scheduled for March, with the draft for the tariff concession having been exchanged regarding the highly sensitive items.

Unlike in the other FTA talks, the scope of sensitive items subject to protection is determined in the first phase of the negotiations, and then the overall talks are underway in the following stage to allow for concerns on the part of the primary and manufacturing industries. Both of the governments have agreed to a tariff cut of 90% on an item basis and 85% on imports basis for key products.

According to the Korea Institute for International Economic Policy, the Korea-China FTA is estimated to increase Korea's GDP by up to 3.04 percent for 10 years to come, while boosting the consumer benefits by US\$36.58 billion. North Korea's military threats can be reduced as well when more Chinese companies set up R&D centers or the like in Korea in the wake of the conclusion.

In the meantime, the Korean government is going to make the final decision soon on its participation in the TPP, which is a regional trade agreement covering 12 Pan-Pacific countries. The Ministry of Trade, Industry and Energy has had bilateral talks since late last year to collect opinions of the members, meeting with Canada on Feb. 7, Australia (11th), Brunei (13th), New Zealand (14th), Japan (early March) and Vietnam (early March). It also had discussions with the United States, Mexico,

Chile, Peru, Malaysia, and Singapore in January this year, too.

The TPP's goal is tariff elimination and economic integration in the Trans-Pacific region. The partnership covers almost all issues concerning free trade, including commodity transactions, rules of origin, trade relief measures, sanitary inspections, technical barriers, intellectual property rights (IPR), government procurement, and economic policy. A mega-scale economic bloc is formed when the TPP is concluded, as the number of the combined population amounts to 792 million and the total GDP reaches US\$27.5 trillion, which is equivalent to 38% of the international GDP. The members of the TPP are working on regulatory principles commonly applied to themselves so that they have the same trade rules in such fields as investment, tariff cuts, IPR protection, labor and environmental regulations, small and mid-size enterprises, and state-run enterprises.

Additionally, the Korean government's FTA talks with Canada, New Zealand, and Indonesia are yielding some tangible results. The discussions for the Korea-Canada FTA had been in progress over 13 rounds between July 2005 and March 2008, but were halted due to the difference in the opinions on primary industry products. However, the 14th round kicked off in Seoul in November last year, and the following round finished last month in Canada. Since Korea and Canada have complementary economic structures, the conclusion of the FTA is expected to result in increasing car exports from Korea.

The talks with New Zealand have been resumed in four years. The ministry met with its counterpart in Wellington between February 17 and 21 for the fifth negotiations. The talks are predicted to act in favor of the government's efforts for the TPP, since New Zealand is a member of the partnership.


Once the Comprehensive Economic Partnership Agreement (CEPA) is signed with Indonesia, the Indonesian market will be fully open for Korean companies, and their competitiveness vis-à-vis their Japanese rivals can be boosted. The CEPA

has the same effects as an FTA but the former is a wider concept, because it covers overall economic exchange such as the transactions of commodities and services, investment, and economic cooperation. It is said that the partnership agreement will become effective within this year.

Potential Concerns over Simultaneous Conclusion

Nevertheless, not a few economists are voicing concerns over the simultaneous progress. Particularly, the protection of vulnerable sectors such as the agricultural and fisheries industries is likely to be a hot-button issue. All of China, New Zealand, and Vietnam are characterized by highly competitive primary industries.

The TPP entails more complex calculations in that it has 12 members. Even some of the manufacturing-sector segments may be affected when the Korean market is opened to manufacturing giant Japan. In this case, manufacturing segments like automobiles and industrial components could be subject to some losses.

Another problem is the lack of trade experts in the ministry. It was given the role as the national trade supervisor after the inauguration of the incumbent administration, but most of the personnel in charge of foreign affairs and trade are expected to return to the Ministry of Foreign Affairs. Then, it has to be staffed with new dispatch workers or its own non-experts. There may be some hiatus in the management of trade work with the conclusion of the agreements imminent. 

Korea-China FTA

Korea, China Divided over Illegal Fishing in FTA Talks

South Korea and China remain divided over a number of issues, such as illegal fishing, that may prevent early conclusion of their negotiations for a free trade agreement (FTA), officials here said on Feb. 16.

"We are hoping to include a provision that can effectively prevent illegal fishing in the FTA, but China maintains it will not even discuss the issue," a government official here said on condition of anonymity.

Seoul is pressing the issue that has become a major diplomatic sticking point. The number of Chinese boats seized or cited for illegal fishing in the country's Yellow Sea came to 4,605 between January 2004 and September 2013.

Sixty-nine South Koreans have been killed or injured since January 2003 while trying to catch Chinese ships operating illegally in South Korean waters, according to data from the Ministry of Oceans and Fisheries. Video clips from the scenes show Chinese boats fitted with high sides and tools that can be used as weapons to block inspectors from coming aboard.

The official said one way to prevent illegal fishing would be to stipulate in the FTA that the countries must provide certificates of proof that their shipments of fishery products are not from illegal catch.


In addition to differences over illegal fishing, the two sides are also divided over the degree of market opening for products and the service industry and over competition and intellectual property rights, the sources said.

Seoul is asking Beijing to remove its import tariffs on most industrial goods while China demands South Korea in return remove its import duties on farm products, the most sensitive items for Seoul in most FTA negotiations.

The countries have agreed to remove their tariffs on 90 percent of all products traded between them with future negotiations expected to set the exact list of goods to be excluded from the FTA.

China also remains reluctant to strengthen its protection of intellectual property rights, according to the officials. The issue is tied with protection of Korean cultural contents, mostly Hallyu products that include dramas and music.

"Negotiations up to now may have been aimed at confirming each other's position," another government official said, asking not to be identified. "The government plans to conclude the FTA negotiations at an early date while working to minimize damage to the country's economy."

South Korea and China have held nine rounds of FTA negotiations since they were first launched in May 2012. The 10th round is set to be held in South Korea next month. 



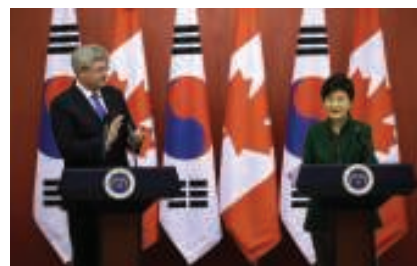
The Yu Feng, a Taiwanese-flagged fishing vessel suspected of illegal fishing activity, is spotted by crewmembers from the US Coast Guard Cutter Legare in 2009.

Korea-Canada FTA

Korea-Canada FTA Creates US\$17 Trillion North American Free Trade Market



Korean President Park Geun-hye and Canadian Prime Minister Stephen Harper shake hands ahead of a summit in Seoul on March 11.



South Korea has finished its 12th free trade agreement (FTA) by concluding a deal with Canada, leading Korea's free economic territory up to 61 percent from 58 percent, while marking Canada's first free trade pact with an Asian nation.

The deal is particularly meaningful in that South Korea has a combined North America as Korea's free trade zone, comprising the economies of the United States and Canada, which have a total combined gross national product (GDP) reaching US\$17 trillion.

Creating the FTA with Canada has been a long and tough journey, as shown in the fact that it has been concluded after tense negotiations on the opening of each party's core interest markets for nearly nine years. The deal centers on Canada phasing out tariffs on Korean auto imports in two years and Korea lifting tariffs on Canadian beef and pork imports in 15 years.

President Park Geun-hye had a summit meeting with Canada's Prime Minister Stephen Harper at the Presidential Office in the afternoon of March 11, hailing the just-concluded FTA between the two countries as a "landmark achievement," by saying the deal will bring about

significant benefits for both economies.

The two leaders' remarks came as the countries' trade ministers announced they had worked out the deal. The Korean trade ministry said that Canada would lift its 93.2 percent tariff on imports from Korea within three years under the trade deal, while Korea would abolish its 86.1 percent tariff on imports from Canada during the agreed period.

President Park also expressed her interest in the Trans Pacific Partnership agreement (TPP), and sought Canada's support of Korea's participation in the US-led regional free trade deal that has been the subject of negotiations among a dozen Asia-Pacific nations.

Park said, "If we take part in the TPP, the Korea-Canada FTA and the TPP will produce synergy effects and provide each other with wider market access," adding, "I hope the Canadian government will provide active support for Korea's participation in the TPP."

The joint statement after the summit said, "This historic initiative will further strengthen relations between Korea and Canada. We are committed to finalizing the legal review and required domestic procedures expeditiously with the mutu-

al intention that the agreement will enter into force as soon as possible."

If the deal takes effect, the 6.1 percent tariff on Korean cars exported to Canada will be eliminated 24 months after the FTA takes effect, which means the car industry would benefit most from the deal. Most of the six to seven percent tariffs on car parts, tires, and textiles are to be removed in three years, as well.

However, the deal will likely hit Korea's beef and pork farmers hard, even if it will gradually remove tariffs on beef and pork imports from Canada over a span of 15 years and five to 13 years, respectively.

South Korea and Canada launched free trade talks in 2005, but made slow progress, mainly due to differences in the auto, agriculture, and livestock sectors, with South Korea seeking to remove Canada's tariffs on car imports and Canada trying to eliminate South Korea's tariffs on beef and pork imports.

Canada is the world's 11th-largest economy, but the trade volume between the two countries has been relatively small, with Canada being only the 25th-largest trade partner for South Korea. Two-way trade amounted to US\$10 billion in 2012. ^{OK}



President Park Geun-hye speaks at an investment promotion and regional development meeting held in the presidential office Cheongwadae on March 12, 2014.

Regional Development

President Park Urges Each Region to Be Principled in Propelling Regional Development

Korea's regional municipalities shall be the main agent for drawing up and driving their own regional development plans.

President Park Geun-hye said on March 12 at an investment promotion and regional development meeting, "The first thing we have to keep in mind when drawing up regional development plans and strategies is that each region has its own characteristics and conditions. Residents and their municipalities are the ones who know best the situation of the region."

Park added, "We have to change the paradigm in a way that municipalities, residents, and regional businesses take the initiative in drawing up development plans and strategies."

At the meeting, the government ironed out a series of measures to bolster regional investment and development, and decided to ease development restrictions still remaining under "greenbelt" development bans. Considering the characteristics of each region, the govern-


ment also designated specialized development projects by region and promised national support for the projects.

The regional specified projects, which the 15 regional governments will select for future growth engines, are to be carried out in the manner of role shares by each local municipality and the central government. The local municipalities are responsible for things like project planning, site development support, and the attraction of companies. The central government will focus on things like support project funding, deregulation, technology development and commercialization.

The regional autonomies proposed two or three projects in Feb. to total 37 projects, and the central government narrowed them down to 15 projects by assigning one project to each local municipality. Specifically, Busan Metropolitan City will specialize in visual entertainment, Daegu in software convergence, Incheon in the establishment of a service industry hub, Gwangju in

cultural content, Daejeon in defense ICT, Woolsan in eco-friendly batteries, Gyeonggi Province in the establishment of an ecological and peace belt close to the demilitarized zone (DMZ), Gwangwon Province in healthcare, North Choongcheong Province in the biotech industry, South Choongcheong Province in the display industry, North Jeolla Province in the agriculture and life industry, South Jeolla in marine tourism, North Gyeongsang Province in IT convergence, South Gyeongsang Province in aerospace and aviation, and Jeju in lava water convergence industry.

Among the selected projects, 11 projects are regional presidential election pledges by President Park Geun-hye.

The deregulation and regional development projects are aimed mainly at spurring investments for revitalizing the national economy. The government expects these measures will incur 14 trillion won (US\$13 billion) worth of investments in the regions. 

North Gyeongsang Province

Home of Saemaeul Movement, Ensuring Better Future through Creative Economy and Cultural Renaissance

North Gyeongsang Province, home to six national industrial complexes and 35 regional industrial complexes, is a dynamo of the Korean economy and a very attractive investment destination. At the same time, it has abundant tourism and cultural resources, including famous mountains and rivers and the beautiful sea. It is also assuming a leading role in the creative economy drive of the Park Geun-hye administration as an R&D hub of high-tech industries.

Last year, it attracted 5.1 trillion won (US\$4.7 billion) of investment while creating 66,000 jobs, in spite of harsh economic conditions. In addition, it recorded US\$50 billion in exports for three years in a row, along with the highest trade surplus among all provincial regions in Korea for the second consecutive year.

Such successful outcomes brought it 44 policy awards and 3.5 billion won (US\$3.2 million) of financial incentives in 2013. In particular, North Gyeongsang Province was selected as one of the best local governments, for the third consecutive year, in the central government's assessment, and the top pledge implementation prize winner in an evaluation by the Korea Manifesto Center.

The provincial government headquarters is scheduled to be relocated to Andong this year. Under the circumstances, the region is striving to turn this year into a significant momentum for its future growth.

Attractive Destination for Investors Worldwide

North Gyeongsang Province was picked out in July 2013 as the most business-friendly local government in Korea in the Korea Chamber of Commerce & Industry's survey. This can be attributed to its enhanced cooperation with the authorities concerned, such as the Korea Trade-Investment Promotion Agency (KOTRA), the Happy Monitor System for Investors consisting of 129 personnel from 23 cities and counties. The provincial governor has utilized his own official residence as a commercial exchange center as well.

During the course of 2013, Daelim Industries invested 1.5 trillion won (US\$1.41 billion) in the region, while LG Display and Hankook Tires made investments of 830 billion won (US\$780 million) and 250 billion won (US\$235 million), respectively. The total is equivalent to 98% of the target amount set for the period of July 1, 2010 to June 30, 2014.



It is aiming to increase the amount of attracted investment to 5.2 trillion won (US\$4.9 billion) this year by providing better environments and launching aggressive campaigns. It is planning to make particular efforts to provide more industrial zones, so as to substantially improve the business environment. The number of national and regional industrial complexes are going to be increased to nine and 65 each.

Also, the provincial government is going to attract investment in its industrial clusters in a more strategic way. Specifically, the biotech cluster in the northern region, the energy industry cluster in the east, the IT industry cluster in the west, and the materials industry cluster in the southern part of the province are expected to work in tandem with one another for greater synergy.

Creative Economy and Cultural Revitalization for Rosy Future

The success of the creative economy depends on scientific technology. In this context, North Gyeongsang Province is trying to set the stage for an ambitious national goal by improving its science infrastructure and gathering more industrial participants. The fourth-generation synchrotron accelerator, which is the third one in the world, will be built there in the world's only accelerator cluster, along with third-generation proton accelerators.

Furthermore, the Science Belt Research Corps, the Max Planck Society, the Asia Pacific Center for Theoretical Physics, and many other research institutes are working together to create the most advanced science valley. A budget of 13.5 trillion won (US\$12.7 billion) will be invested in the East Sea region


Corps, which was set up last year, is working on a maritime research center and a health care complex, while applying unique water industry development strategies to the Nakdong River to capitalize on the World Water Forum 2015. The Baekdu Daegan and the Nakdong Jeongmaek areas are going to be home to arboretums, healing forests, and the like, so that they can become national role models of profit generation utilizing forest resources.

North Gyeongsang Province owns very valuable cultural assets, too. It is home to the ancient Gaya culture, Buddhism of the Shilla Kingdom, and the Confucian culture of the Joseon Dynasty as well as more than 40% of the ancient houses of Korea, 20% of the country's cultural properties, and three UNESCO World Heritage sites. All of the Hwarang Spirit of the Unified Shilla Kingdom, the Seonbi Spirit, and the Saemaeul Movement stemmed from this region as well to represent what Korea is now. President Park Geun-hye, during her visit in December last year, even mentioned Andong as the very place to lead a cultural renaissance of Korea.

The province drew international interest in 2013 by playing host to the Istanbul-Gyeongju World Cultural Expo in Turkey. The event, held for 23 days between August 31 and September 22, was attended by 40 countries from all around the world. More than 4.87 million people watched a show in which the World Culture Declaration was read in 11 languages. The province sent its expedition for the 21,000 km-long Silk Road to shed new light upon the Shilla culture and open a new Silk Road for the 21st century. This year, it is going to launch a big run along the Ocean Silk Road with the Ministry of Oceans and Fisheries, in order to find the root of the marine kingdom of Shilla.

Saemaeul Movement, Role Model of ODA Programs

North Gyeongsang Province is the region from where the Saemaeul Movement, the symbol of the modernization of Korea, originated. The movement's goal is to share the economic development experience of Korea with less-developed nations, so as to eradicate poverty across the world. The province is currently working on Millennium Villages in four regions in Tanzania and Uganda, in cooperation with the United Nations, and running 15 model villages in five African and Asian countries. It has also sent a lot of volunteer workers to this end, while inviting 200 foreign village leaders each year to foster more effective cooperation.

The municipal government is planning to further expand the Saemaeul Village Construction Projects in conjunction with international organizations like the UNDP. The Saemaeul Globalization Foundation will establish a global governance system with the UN, the Korea International Cooperation Agency (KOICA), and so on, while more closely collaborating with the central government, colleges, and the authorities concerned, so that the movement can be a textbook example of official development aid (ODA) programs and a way for Korea to increase its international standing, eradicate poverty, and contribute to the growth of humanity. 



of the province for the construction of a nuclear industry cluster dedicated to the research of hydrogen fuel cells, wind power generation, ocean energy, and other sectors.

This science infrastructure is expected to be the new growth driver for future generations. The central and southern parts of the region connecting Gimcheon, Gumi, Gyeongsan, and Yeongcheon will be turned into ICT convergence clusters manufacturing advanced construction machinery and testing aviation and electronics products. The East Sea region, including Pohang and Gyeongju, are slated to house new materials manufacturers, basic science R&D institutes, green energy and robotics companies. The northern areas of Andong and Yeongju are scheduled to be developed into hubs of the bio-tech and healthcare sectors, combining traditional cultural and creative economic elements.

The province is giving a concrete shape to its River-Mountain-Sea Development Plan, too. The East Sea Development

Incheon Port Authority

Incheon Port Authority Growing Towards Seaport Hub of Northeast Asia

Kim Choon-sun
president of Incheon Port Authority (IPA)

Incheon Seaport has reformed itself into a competitive international port since Kim Choon-sun, president of Incheon Port Authority (IPA), took office three years ago. As soon as he was assigned to be the head of the port authority, Kim dashed to the central government to secure the budget to give the port enough global competitiveness to attract large container carriers and international cruise passengers. He has succeeded in getting money from the central government and placed his main projects on track, including the construction of an international passenger terminal, depth increase of the seaport, and development of the surrounding area. Last year, he reached his goal to break the two million TEU mark in cargo handling, which he promised at his inauguration. BusinessKorea sat down with him to hear about his achievements and future plans. What follows are some excerpts from the interview with him.

It has been three years since you took office as the President of Incheon Port Authority (IPA). What are the projects you have concentrated on so far?

We have focused on three major projects, that is, the construction of the International Passenger Terminal backed by the government, the increase in the port depth of the Incheon New Port, and the development of the surrounding areas for greater competitiveness.

In the afternoon of my first day as the President, I visited the budget planners of the Ministry of Strategy & Finance to explain the appropriateness of the construction of the International Passenger Terminal, calling for the government to assist in the project. As a result, we could resume construction in Incheon Port, which would have been canceled otherwise due to withdrawal by private-sector investors. Looking backward, the decision was a very important and timely one.

We have also yielded tangible results in the port depth-related project as well. President Park Geun-hye made an election pledge that she would increase the depth of the access area from 14 meters to 16 meters by investing five billion won in this project. With a depth of 14 meters, the Incheon New Port cannot keep up with the trend of increasing vessel sizes. The global shipbuilding industry is shifting from 8,000 TEU to 10,000 TEU. A depth of 14 meters can handle container carriers of 4,000 TEU or less, which means Incheon Port's role would be limited to transshipments at best.

The central government will provide more financial resources for the development of the surrounding area, too. This is to ensure equality with the other ports in the country. I hope that at last some positive results will be made available in the near future.

There have been some controversies surrounding the

budget allocated for Incheon Port compared to that for the Busan Port. Could you speak about them?

The government is planning to spend 180 billion won [US percent169 million] on Incheon Port this year, which is 98.7 percent of the allocation for Busan Port. The percentage has gone up for the past three years, from 36.9 percent in 2012 and 81.7 percent in 2013.

At the same time, the Incheon Regional Maritime Affairs Port Office, local lawmakers, and the IPA have made great efforts so that five billion won and 30 billion won can be earmarked for the depth augmentation and the passenger terminal, respectively. I believe that these will set the stage for further development of Incheon Port down the road.

What is the outcome of the major projects for last year, and what is your prospect for this year?

In January last year, I promised to break the two million TEU mark in cargo handling volume. The goal was met last year by reaching 2.16 million TEUs. This year, we will strive for 2.3 million TEUs so that our rank in the global port industry can rise from below 60th to at least 50th.

In the long term, we are aiming to reach four million TEUs by 2020 to become the 30th-largest port in the world. I bet we can realize this goal within the given period of time. We are predicting that the overall cargo volume including the bulk and container cargoes will increase 3 percent to 4 percent from a year earlier in 2014.

On the passenger transport side, the number of coastal passengers surpassed one million last year, and that of international and cruise passengers topped one million, too. The upward trend is likely to continue throughout this year to hit three million in or before 2020.

Such successful business outcomes have led to an A rating in the government's business evaluation of state-run enterprises, which has been the highest rating in the history of the IPA up to this moment. The year 2014 will be a very significant year for the authority, when Incheon Port will turn itself into the transport hub of the West Sea region and the linchpin of maritime tourism representing Northeast Asia.

Please explain your plan for the rest of your tenure, and your long-term development vision for the IPA.

My tenure ends on August 17 this year. To the very final moment, I will keep working on the development of the New Port, the new Passenger Terminal, and the surrounding areas with vigor and vitality. The future of Incheon Port depends on these three projects, and their success will guarantee a rosier future for Incheon City as a whole.

I hope that Incheon New Port will become the starting point of ocean routes leading to not just China but also the entire world. Then, Incheon Port will cover a great number of export destinations, such as Europe and the Americas, as well as China and Southeast Asia. Companies located in Seoul and the metropolitan area will be able to save on transport costs by making use of the port, which will result in greater competi-



tiveness of their products.

In the meantime, the newly opened International Passenger Terminal will provide entrepreneurs and businessmen from all around the world with the opportunity to visit Korea, do business here, and enjoy its culture. The Korean Wave will be further enhanced, and Incheon City's presence in and contribution to the national economy as a whole will be boosted as well.


I believe that Incheon Port's contribution to the city's competitiveness is without limits. The Economist Intelligence Unit published an analysis report last year, titled "Hot Spots: Benchmarking Global City Competitiveness," to extol Incheon as the home to the world's finest transport infrastructure. It recognized Incheon Port as a world-class port, adding that top-tier transport infrastructure and the investment in the Incheon Free Economic Zone are turning the city into the business, logistics, tourism, and leisure industry hub of Northeast Asia.

My aim is to dedicate myself to that progress during the rest of my days in office. I will be committed to the development of the surrounding as well, so that both Incheon Port and Incheon City can have greater competitiveness.

You have served as a public official, policy coordinator, and maritime industry expert for a long time. How do you assess your own past career?

I have worked for various government bodies such as the Fair Trade Commission, the Presidential and Prime Minister's Offices, former Ministry of Finance & Economy, Ministry of Planning & Budget, Ministry of Oceans & Fisheries, Ministry of Land, Infrastructure & Transport, etc.

I would like to suggest maritime industry expert and policy coordination specialist as the keywords that can summarize my past 30 years as a public servant. I worked for the Ministry of Oceans & Fisheries, the Ministry of Land, Infrastructure & Transport, and as the head of the Incheon Regional Maritime Affairs Port Office between 2003 and 2008 to equip myself with professional knowledge and expertise in maritime, port management and transport logistics policy.

In addition, I worked for economic supervisory organizations to have a broad view of the national economy, while accumulating much experience in policy coordination. The processes of economic policy coordination, setting, and decision-making have been a great boon for my job as the president of the IPA, too. 

Economic Reform Plan

Three Year National Economic Reform Plan to Cover Next 30 Years



Deputy Prime Minister Hyun Oh-seok stresses the importance of communication and cooperation among all related parties at the executive meeting of the Ministry held on Feb. 10.

Deputy Prime Minister Hyun Oh-seok is grappling with the new three-year plan for national economic reform.

Scheduled to be announced late this month, the plan carries significant weight in that it will continue until the final year of the current administration. For the Deputy Prime Minister himself, it can be a chance to show his leadership after President Park Geun-hye's recent warning against him for the recent information leakage scandal of an unprecedented scale.

"The three-year plan is not a business of the Ministry of Strategy and Finance alone, but has to do with all government arms and has a significant historical meaning as well," he said at the executive meeting of the ministry held on Feb. 10. He continued to emphasize, "We need to gather our wisdom so that the new plan can contribute to the national economy for not just three years but three decades down the road." He stressed the importance of communication and cooperation with the private sector, the other ministries, expert groups, etc.

In the afternoon of that day, he moved to the Korea Development Institute (KDI) located in Sejong City to attend the joint task force meeting of the ministry and the institute. The task force had been organized every time the government had prepared new plans for economic development in the past. It was revived at this time for the preparation of the three-year

plan.

Earlier on Feb. 7, he met 10 or so North Korea experts, too. This signifies that the new economic development plan could include matters relating to the North. "The Deputy Prime Minister discussed major projects such as the Eurasia Initiative and the Najin-Hasan Project along with how to procure financial resources for reunification as the head of the competent ministry in charge of budget planning," one of his entourage members commented, adding, "The Deputy Prime Minister showed a deep understanding of the issues because, I think, of his past experience as the president of the KDI."

According to the Ministry of Strategy and Finance, the new policy plan focuses on robust economic fundamentals by means of the improved soundness of public organizations, dynamic, creative, and innovative economy for overseas market penetration, and a balance between export and domestic consumption through the promotion of the growth of small firms and employment. "The Korean economy is showing signs of recovery, but we still have a series of structural problems to deal with," he mentioned, continuing, "What matters now is to shore up our economic structure and fundamentals, which means we need to overhaul it with a broad perspective."

Fed's Appraisal

Korea Expected to Take Little Hit from Tapering Due to Robust Economic Fundamentals



Janet Yellen smiles before being sworn in as Federal Reserve Board chair at the Federal Reserve in Washington, DC, on Feb. 3, 2014.

The Fed submitted a controversial financial policy report to the United States Congress on Feb. 11 (local time). In the report, Korea and Taiwan were mentioned as model cases of economies countering the current financial recession. The report also criticized some emerging countries such as India and Brazil as having brought it upon themselves. "Brazil, India and Turkey have employed just stop-gap measures like interest rate hikes and intervention in the foreign exchange market to block capital outflow," it read.

This is the first time since May last year, when the recession began, that the Fed published a report to criticize certain emerging countries in an outspoken manner. It seems that the Fed opted to launch a preemptive strike before the G20 Finance Ministers' and Central Bank Governors' meetings scheduled between Feb. 22 and 23 in Sydney, Australia. It is expected that emerging countries will blame the Fed for having caused some instability by unilaterally announcing the tapering of quantitative easing.

The Wall Street Journal predicted that the latest report of the Fed will fuel

controversy surrounding the tapering at the G20 meeting. "Chair of the Board of Governors of the Federal Reserve System Janet L. Yellen and Treasury Secretary Jacob J. Lew will show a more aggressive stance than before against the emerging economies, as well," it said.


According to the Fed's report, the financial markets of emerging economies suffered from repercussions such as foreign currency outflow and government bond price drops after the Fed gave a hint on the tapering in mid-2013. But things were quite calm in December, when the asset purchase reduction was actually implemented. "The economic fluctuations of January 2014 should be attributed to concerns over the manufacturing sector of China, depreciation of the Argentine peso, and Turkey's move to defend its currency value rather than the tapering," it continued.

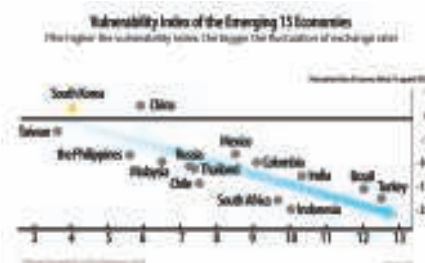
Recently, Indian central bank governor Raghuram Rajan and many other figures in emerging countries have asserted that the fiscal policy of some advanced economies threw them into turmoil, and international cooperation in the financial sector should be restored. Still, the report said in response that

the foreign capital exodus from those economies as of late is because of their weak economic fundamentals. The Fed even came up with a vulnerability index newly drawn up against 15 emerging countries, including Indonesia and South Africa.

The vulnerability index runs along the x axis. The y axis is the currency fluctuation rate. South Korea has both positive currency fluctuation and low vulnerability.

Korea and Taiwan recorded approximately 4.0 in the index, and China, Malaysia, and Mexico followed them with 5.0 to 10.0 points, respectively. Meanwhile Turkey, Brazil, India, and Indonesia posted over 10.0, to be the most vulnerable countries from the Fed's viewpoint. Korea and China were the only emerging economies that showed currency value appreciation between late April last year and February 6, 2014.

The vulnerability index was prepared by calculating the ratios of the current account and national debt to the national GDP, the amount of foreign reserves and credit loans to the private sector for the past five years, and the three-year average inflation rate. The higher the points, the higher the economic vulnerability. 



Investment-friendly Environment

Foreign Representatives Complain of Inconsistent Regulations

Representatives of foreign business organizations and companies complained to Deputy Prime Minister and Minister of Strategy and Finance Hyun Oh-seok about regulations on ordinary wages and telemarketing at a luncheon meeting at Lotte Hotel in Seoul on February 12. In particular, they pointed out that those rules are inconsistent.

The meeting was attended by a total of 16 foreign business representatives, including heads of major business lobby groups representing foreign firms including the American Chamber of Commerce in Korea (AMCHAM), the European Chamber of Commerce in Korea (EUCCCK), and the French Korean Chamber of Commerce and Industry. High-ranking officials of foreign companies such as Apple Korea, Citigroup Korea, AIG Korea, and Allianz Life Korea also attended.

At the meeting, Deputy Prime Minister Hyun promised to make Korea a more attractive country for investment, and appealed to attendees for more investment. He said, "Uncertainty in financial markets of some emerging economies has been growing, following the US Fed's tapering of its quantitative easing policy." He added, "But Korea is in a different situation, because the nation's financial health is sound. Our current account balance is positive, and we have sufficient foreign-exchange reserves."

The Deputy Prime Minister stressed that even though foreign invested companies are a main pillar of the world's 13th largest economy, Korea's request for investment is not one-sided. It means that there are a lot of things that the country can offer, including skilled manpower and infrastructure, to foreign companies. On top of that, the Korean government's willingness to support is




Deputy Prime Minister and Minister of Strategy and Finance Hyun Oh-seok gives an introductory greeting at a luncheon meeting with foreign business representatives at Lotte Hotel in Seoul on Feb. 12.

strong. He also promised to improve transparency of laws and implement its policies in a "stable" manner, eliminating any inconveniences that foreigners could encounter in doing business here.

After his remarks, however, representatives of overseas companies criticized the Korean government's inconsistent regulations. In particular, the foreign business representatives urged the Deputy Prime Minister to address the ordinary wage problem as quickly as possible.

After the meeting, Steven Barnett, president & CEO of AIG Korea, said, "I mainly pointed out that regulations lack consistency," adding, "There was much debate over restrictions on telemarketing, which were triggered by recent massive data leaks." After the leakage of personal information, financial authorities banned financial companies' non-face-to-face sales, including telemarketing calls, text messages, and e-mails, along with loan solicitation. Nevertheless, they allowed those unsolicited

sales tactics again, as the job security of telemarketers became an issue. Barnett noted, "We acknowledge that personal information should be protected. But regulations need to be consistent."

Many foreign representatives agreed that the current administration makes an effort to create a good investment climate, but at the same time it makes restrictions that are not helpful for foreign investment. Edouard Champrenault, Executive Director of FKCCI, said, "From the perspective of investors, uncertainty is the problem." The executive director added, "A lot of things have changed under the current administration. And the regulatory environment has changed drastically." In particular, he pointed out the ordinary wage problem. He commented, "Before making any decision, investors should think about the next ten years. But the ordinary wage problem is a big issue." He concluded by saying, "We can make an investment decision only after the issue is settled." 

Weak Yen Strategy

Korea Chamber of Commerce & Industry Proposes New Strategy against Weak Yen

The Korea Chamber of Commerce & Industry (KCCI) suggested the PRIDE strategy as a way of responding to Japanese companies that are enhancing their export competitiveness thanks to the weak yen. The acronym stands for Promoting efficiency, Risk management, Internationalization, Driving up added value of products, and Enhancing utilization of FTAs.

The KCCI published a report on March 10 and said, "The total exports from Japan increased 2.4 percent in the latter half of 2013," adding, "Major Japanese companies are accelerating their efforts for R&D and business reorganization, capitalizing on the weak yen, and

their Korean counterparts need to provide against it."


According to the report, the electronics, shipbuilding, and textile industries of Korea outperformed those of Japan for the past 10 years in terms of export competitiveness analysis based on the relative comparative advantage (RCA). Still, the textile industry's competitiveness is declining these days. Meanwhile, Japan outdid Korea in the machinery, manufacturing, and automobile sectors. The two countries tied with each other in the steel industry.

RCA is calculated by dividing a country's ratio of exports by item by its ratio of the global market. An export



Office building of the Korea Chamber of Commerce & Industry.

item is considered to have some competitive edge in the global market when the value is greater than one.

"More efforts have to be made in not just electronics, shipbuilding, and textiles, but also the machinery and car sectors, if Korean enterprises will be able to survive the current weak yen trend," the report read, continuing, "The PRIDE strategy can be a viable option for such an endeavor." 

Per Capita Competition

Failure of Abenomics Leads Korea to Surpass Japan in Per Capita Income by 2020

A recent analysis shows that failure of "Abenomics," the economic policy led by Japanese Prime Minister Shinzo Abe, will result in the reversion of the per capita incomes of Korea and Japan by 2020.

Jeon Min-kyu, a researcher at Korea Investment Security, predicted on March 12 that Korea's per capita income will surpass that of Japan in 2020 by a small margin, if Korea's annual average growth rate reaches 4.5 percent with the success of its three-year economic innovation plan, and Japanese annual GDP growth stays at the 1 percent level.

Japanese per capita income topped at US\$46,562 in 2012, but plunged to US\$38,533 last year, a whopping 17.2 percent drop. The figure represents the lowest since 2007 and is even lower than US\$38,688 in 1994.

The main culprit of the drop was the devaluation of the yen against the US dollar by 18.2 percent, which was a part of Abenomics.

In contrast, the researcher presumes that the Korean per capita income last year was US\$24,126, up US\$1,419 from that of 2012.


He said, "As of last year, Korea's per capita income amounts to 63 percent of that of Japan, which means the gap between the two has been dramatically narrowed, when considering Korea's per capita incomes were less than 50 percent of Japan's since the global financial crisis in 2008."

Jeon also guesstimated that the reduction of the per capita income gap between the two countries hinges on the fates of Abenomics and the Park Geun-hye administration's three-year econom-



ic innovation plan.

According to the estimate, if Korea's per capita income growth rate reaches per annum 4.5 percent on average due to the success of its economic innovation plan, and Japan's personal income growth rate comes to a stop at 1 percent, Korea's per capita income will surpass the US\$40,000 mark, meaning Korea will beat Japan in per capita income in 2020 by a small margin.

However, it will be a completely a different story if Abenomics succeeds. Jeon says, "If Japan records an average real economic growth rate of three percent from next year, its per capita income will exceed US\$48,000 in 2020, which means the per capita income gap between the two countries will be narrowed, but Japan will not be overtaken by Korea." 

Foreign Loans Due

US\$31.3 Billion in Foreign Loans Coming to Maturity This Year



State-owned enterprises (SOEs) and private-sector companies are in the face of an ongoing domestic economic recession and an increasing call for restructuring. At the same time, they are compelled to redeem a large amount of foreign loans by procuring more foreign funds. More than 40 trillion won (US\$37.6 billion) of foreign currency-denominated bonds will mature in the near future.

According to Bloomberg and local securities firms, foreign currency-denominated bonds worth US\$31.3135 billion mature this year, particularly between January and July. Specifically, the amount is divided into US\$2.5 billion in foreign exchange stabilization bonds issued by the government, US\$3.9 billion by the Korea Export-Import Bank, US\$2.9 billion by the Industrial Bank of Korea, US\$2.9 billion by the Korea Development Bank (KDB), and approximately US\$2 billion by each of Kookmin Bank, the Korea National Oil Corporation (KNOC), Korea Hydro & Nuclear Power, and the Korea Land & Housing Corporation. Also coming to maturity are US\$600 million for GS Caltex, US\$1.2 billion for KT, and US\$1.4 billion for POSCO.

In the meantime, many market participants are wary of over-interpretation. Despite the Bernanke shock last year and the global economic recession, investors have been very favorable of Korean bonds for the country's robust economic fundamentals, facilitating those companies' financing. For example, US\$1 billion worth of dollar-denominated foreign exchange stabilization bonds were successfully issued in September at a coupon rate of 4.023%, which was the lowest in the history of this type of bond issues. A series of more bonds for preemptive financing were issued smoothly until November, too.

Since the beginning of this year, the Korea Export-Import Bank has raised US\$1.8 billion, including US\$300 million in Kimchi Bonds, and the KNOC, KDB, Kookmin Bank, Hyundai Capital, the Korea Gas Corporation, and Korea Midland Power are also issuing bonds successfully. As of the end of last year, foreign exchange reserves (US\$346.4 billion, seventh-largest in the world) and foreign currency deposits reached new highs as well.

Nevertheless, the future is not entirely rosy, as emerging markets are predicted to face greater turmoil amid the tapering


by the Fed, and countries around the world will struggle to get more foreign funds. Besides, the debt redemption burden could increase if the won was depreciated to cause the won-dollar rate to soar.

"The tapering of quantitative easing has changed the type of issuing, that is, the ratio of dollar-denominated ones dropped to 62 percent while that of euro-denominated ones are going up," said Hana Daetoo Securities research analyst Ko Eun-jin, adding, "Still, the percentage of global bond issuing by investment-grade companies in China is increasing rapidly in the Asian global bond market excluding Japan, which means the conversion issue of foreign currency-denominated bonds may entail at least some burden."

Furthermore, business forecasts for this year signal a bumpy road ahead for those companies. Their below expected business performance could lead to a fall in credit ratings to hamper financing and investment attraction.

According to FnGuide's data, the annual operating profit estimates of 200 major Korean companies for 2014 have been lowered by 4.7% on average since the onset of this year. The downward adjustments were 1.8% and 3.3% during the same periods of 2012 and 2013, respectively. Moreover, the majority of the 55 listed companies that have submitted their profit estimates for this year to the Financial Supervisory Service have come up with more negative figures than before.

Securities industry insiders are saying that a number of companies are unwilling to make a public announcement or are not in a position to do so in the middle of the vague economic outlook as of late. "The Q4 performances of many enterprises were way below expectations, and investors now have less trust in the profit estimates," said Hyundai Securities researcher Bae Seong-yeong.

Things are not much different for SOEs, either. On February 2, the Korean government decided to reduce an extra four trillion won of debt by 2017 on the part of 18 major SOEs, compared to their long-term financial management plans. According to plans submitted by the enterprises in September last year, their debts were scheduled to increase by 85.4 trillion won (US\$80.3 billion) by 2017. The recent decision of the government is to halve the increase in debt. 



There is growing anticipation that Korea's IPO market will be hugely successful in 2014, the second year of the Park Geun-hye administration.

The reason for high expectations lies in the fact that the global economic recovery is likely to pick up pace this year. Moreover, medium and large companies' preparations for an initial public offering (IPO) in the KOSDAQ market is going to swing into high gear in 2014, so that they can get benefits from President Park Geun-hye's "creative economy" policy initiatives. On top of that, US and Chinese companies are knocking on the door of Asia's fourth-biggest equity market. As a result, the total IPO amount is projected to approach as much as 4 trillion won (US\$3.8 billion) this year, more than a two-fold increase from 2013.

According to sources in the financial investment industry on Feb. 16, 60 companies, including Hyundai Oilbank, BGF Retail, Dongbu Life Insurance, and KT Rental, are going to be listed this year. Their total IPO price is estimated to be between 2.5 trillion won (US\$2.3 billion) and 4 trillion won (US\$3.8 billion). Last year, the number of IPO cases on the KOSDAQ stock exchange stood at 40, and their amount equaled 1.31 trillion won (US\$1.24 billion). The phenomenon is attributable to the fact that the IPO

market in 2013 was in the doldrums.

Blue chip stocks, such as those of Interpark INT that went public this year, recorded nearly 1000 to 1 in the competition rate, and stock prices for blue chip companies continue to hit the upper price limit, following their IPOs.


A source in the investment banking industry said, "I think that companies held by private equity firms, and small and medium-sized startups such as those listed on the Korea New Exchange (KONEX), which are going to graduate to the KOSDAQ in the end, will invigorate the IPO market, together with large companies' listings."

Investors' confidence is also on the rise, since the new listings on the KOSDAQ market by subsidiaries of large corporations is kicking into high gear, in tandem with the government's policy to encourage IPOs. Last year, only Hyundai Rotem posted the 100 billion won (US\$94 million) line in IPO price among listed firms. However, ten companies are predicted to exceed the figure, including Hyundai Oilbank, which is expected to reach 1 trillion won (US\$943 million) or more in the IPO amount this year.

Investors are active in the market as well. With stock prices for the Korea Information Certificate Author-

ity and Interpark INT skyrocketing, a large number of people are seeking to purchase those companies' stocks in the over-the-counter (OTC) market, prior to their listings on the KOSDAQ market. BGF Retail's stock price in the OTC market, on the other hand, has risen more than 30 percent within the month.

Overseas companies' listings are also expected this year. In particular, the entry of companies from Europe, the Philippines, and the US in the market is likely to increase the attraction of the securities market.

To be specific, US big data company PSI is preparing to be listed. Content Media Corporation, a London and LA-based film, television, and digital sales company, is finalizing its selection of an IPO organizer. Tongrentang, a state-run pharmaceutical company in China, is also aiming at its listing on the KOSPI. In addition, the Philippine BXT Corporation, which is engaged in the hotel and resort business, already concluded an IPO organizer contract with Samsung Securities to be listed in the securities market. M-BIZ Global, a leading provider of mobile content solutions based in Switzerland, also made an IPO organizer contract with Kiwoom Securities, eyeing its listing on the KOSDAQ stock exchange. 

High Returns

Foreigners Get High Returns in Bearish Seoul Bourse

Foreign investors have outperformed local institutional and retail investors in profits in the South Korean stock market so far this year, even as the market has gone through a topsy-turvy correction period, data showed Monday.

The benchmark Korea Composite Stock Price Index (KOSPI) has fallen 5.14 percent since the first trading session of the year on Jan. 3, due to poor corporate earnings and woes over a financial crisis in emerging markets.

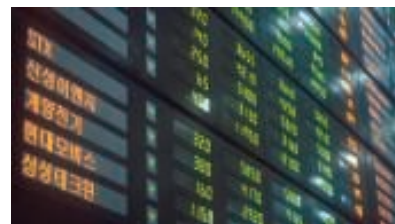
But the average return on the top 20 shares bought by foreign investors during the period was 4.72 percent, marking a 9.86 percentage point gain compared with the KOSPI's loss, according to private financial information provider FnGuide.

The top 20 stocks bought by institutional investors posted an average profit of 1.97 percent in the same period.

Foreign investors picked chip shares like SK Hynix and LG Display during the above-cited period, while institutional investors scooped up auto shares such as Hyundai Motor, Hyundai Mobis and Kia Motors, which were sold most by foreign investors.

Among the top 20 shares bought by foreign investors, shares listed on the tech-heavy junior market, the KOSDAQ, generated higher returns than ones listed on the main bourse, the KOSPI.


Seoul Semiconductor and Wonik IPS, whose shares were listed on the junior market, posted an average return of more than 10 percent, pulling up the average profit for foreign investors' investment in the local market. InterPark and WeMade Entertainment also recorded an average return of more than 20 percent.



Hotel Shilla was the biggest winner among the institutional investors' top 20 stocks, generating an average return of 28.09 percent. During the period, institutional investors scooped up shares in Hotel Shilla worth 105 billion won (US\$98 million).

The average return on the top 20 stocks picked by retail investors, including Hyundai Heavy Industries and Samsung Heavy Industries, logged a negative 11.84 percent.

The top 20 shares sold by foreign investors lost an average of 4.58 percent, doing better than an average loss of 9.33 percent for the top 20 stocks sold by institutional investors.

SK Hynix and LG Display, whose shares were sold the most by retail investors, gained an average 8.93 percent. 

Picky Foreign Investors

Foreign Investors Focusing on Samsung Electronics, SK Hynix Shares

The Korea Composite Stock Price Index (KOSPI) dipped below 1,940 points due to foreign investors' net selling trend. They recorded a net selling amount of approximately 280 billion won (US\$262 million) between March 1 and 12. It is forecast that the bourse will remain bearish for the time being, with the uncertainties going on for the economic and political situations in China and Ukraine.

Still, foreign investors are continuing to buy Samsung Electronics and SK Hynix shares, and securities market experts are saying that at least some stocks and sectors including them are worthy of attention, in spite of the


downward trend.

The KOSPI closed at 1,932.54 points on March 12, losing 31.33 points or 1.60% from the previous session. Foreign investors' net selling amount reached 283 billion won (US\$265 million) on that day alone, and institutional investors added to the pace by net-selling 206 billion won (US\$193 million) worth of shares. The decline was compounded by the day being a double witching day, concerns over China and Ukraine, and the Federal Open Market Committee (FOMC) meeting scheduled soon.

The market consensus is that the downward spiral is likely to continue



at least for a while. "The issue between Russia and Crimea is adding to uncertainties in the market, while no significant momentum is found," said Lee Ah-ram, a NH Nonghyup Securities research analyst, adding, "The unfavorable conditions are predicted to last until the FOMC meeting."

However, foreign investors are likely to take a favorable turn toward the Korean stock market once some of the situations are addressed. Under the circumstances, individual investors are increasing their attention to those stocks that have been preferred by their foreign counterparts, such as Samsung Electronics and SK Hynix. 

Insolvency Risk

25 Percent of Listed Korean Companies Facing Insolvency Risk



Approximately one-fourth of listed Korean companies are on the brink of insolvency.

Consulting firm AlixPartners held a press conference on March 4 at the Westin Chosun Hotel in Seoul, saying that about 17 percent of the 1,600 or so companies it examined corresponded to On-Alert or a worse condition as of the end of the third quarter of 2013. AlixPartners used its own Corporate Distress Index, which considers the financial and stock price data of corporate entities, to obtain the analysis result.


In particular, 9 percent of the surveyed companies were given a High Risk mark, which implies that they are

likely to go under within the next three quarters. Twenty-six percent of the Korean corporations, in the meantime, were regarded Risky. The percentage dropped by just one percentage point when compared to the last quarter of 2012.

“It cannot be denied that most Korean corporations are focusing on their liquidity and bond redemption, rather than future value, in moving ahead with corporate restructuring,” said Jeong Yeong-hwan, representative of the Korean office of the consulting firm. He continued, “Such pursuit can bring just temporary effects and cannot lead to an improvement of their fundamentals,

which, in turn, result in the repetition of insolvency in the long term.”

Thirty-three percent of the companies in the shipbuilding and maritime transport industries were exposed to insolvency risk, along with 31 percent in the financial sector, 18 percent in construction and real estate, 15 percent in heavy machinery manufacturing, and 14 percent in culture and leisure.

Besides, Korea recorded a higher distress index average than Japan and Singapore. Its average was 9 percent, whereas those of Singapore and Japan were 2 percent each. The power generation industry of Japan, which was greatly affected by the Sendai Earthquake of 2011, and the IT sector of Singapore were regarded as particularly risky. 

Corporate Savings

Corporate Savings Rate Dangerously High



In the last 30 years, the savings deposits of local manufacturers have risen two-fold. According to the Bank of Korea and Ministry of Strategy and Finance on February 11, the deposit savings rate for businesses in Korea's non-financial sector jumped from 7.4 percent in 1975 to 15.4 percent in 2011.


The increase in the disposable savings deposit rate implies that companies are not actively re-investing their earnings, instead opting to keep the money in the company coffers.

The total deposit savings rate for business steadily rose throughout the

80s, climbing to 8.9 percent in 1980, to 11.2 percent in 1984, and to 13.2 percent in 1988. Then it dropped during the 90s, to as low as 6.4 percent in 1998. The savings rate regained 10 percent during the 2000s. In 2010, just after the global financial crisis, the rate jumped to 16.3 percent.

Out of all Organization for Economic Co-operation and Development (OECD) countries, Korea's general savings rate for businesses increased as well. According to the same figure, Korea's total corporate savings deposits ranked fourth, behind Japan, the Nether-

lands, and Estonia. In 2000, Korea was at 12th place.

Experts point out that as savings disproportionately increased in 2008, the economy has lost steam. The Korea Institute of Finance Researcher Park Jong-kyu said, “This increase in corporate savings is reminiscent of the 1980's, when businesses kept their money in real estate.” He went on to add, “Incentives must be given to lower the corporate savings. The companies must be lured to invest more, and save less, to rejuvenate the economy.” 

KOSDAQ Separation**KOSDAQ to be Separated from Korea Exchange for Listing More SMEs**

Korea Exchange is located in Busan and is the sole securities exchange operator in South Korea.

The government will separate the Korea Securities Dealers Automated Quotations (KOSDAQ) from the Korea Exchange nine years after integration. The purpose is to create another venture boom by revitalizing the KOSDAQ market.

Many in the industry are welcoming the news. They are expecting that more innovation and tech-oriented companies will be able to enjoy opportunities in the market, so that it can be a better financing channel for small and mid-size enterprises (SMEs) and venture firms. Still, they are also concerned over the feasibility of the policy, because KOSDAQ has to address some issues, such


as computing costs, for its independent position.

The KOSDAQ was alive and kicking in the early 2000s amid a venture boom. More than 600 companies were listed there between 1999 and 2004. In 2005, the index gained 84.52 percent, from 380.33 to 701.79 points, to become the fastest-growing bourse in the world. However, both the number of IPOs and the trading volume have plummeted since 2005, when it was incorporated into the Korea Exchange.

Under the circumstances, the Korea Exchange has tried hard to lower the entry barrier. The KOSDAQ Market Division of the organization came up

with new rules last year for the listing of large-sized corporations, excluding those with a minimum equity capital of 100 billion won (US\$93.9 million) or an initial offering price-based market cap of 200 billion won (US\$187.8 million) or more from the group of companies with impaired capital. In addition, the deposit period was halved to six months for major shareholders, and the 3 percent investment obligation for lead managers was exempted. The number of qualitative listing criteria, including business sustainability and transparency, is planned to be cut in half within the first half of this year, too.

Economists and market participants have mixed opinions about KOSDAQ's independence. Some of them anticipate that the measures will lead to a revitalization of the market through improved capital circulation while facilitating investment by venture capitals. "The investment in the KOSDAQ market will be significantly increased once the regulation limiting a venture fund's investment in a listed company to 20 percent of the total amount is lifted," said a venture industry insider.

Nevertheless, there are a series of issues to be dealt with, including how to protect the investors from those that have purposes other than financing. Before the government's announcement, it was said that the KOSDAQ should be turned into a separate corporate body, but the government turned the call down, mentioning the still-insufficient computing and monitoring capabilities of the segment. 

Korean Derivatives Market**Foreign Securities Firms Leaving Withering Korean Derivatives Market**

Foreign securities companies such as Macquarie Securities, Citigroup Global Market Securities, and BNP Paribas Securities are packing up to get out of Korea as the local derivatives market collapses. The Korean derivatives market, which was the most vibrant in the

world as recently as three years ago, slid to the 11th spot in 2013.

Macquarie Securities is planning to let go 40 of the 50 employees in the derivatives division, while the other 10 are going to be sent to the derivatives division in Hong Kong. The company

used to be the largest equity-linked warrant (ELW) issuer in Korea. However, it closed the ELW business recently. It is just acting as a liquidity provider (LP) these days.

Citigroup Global Market Securities, which used to have over 600 ELWs listed three years ago, has stopped new issues. The Korea Citi Warrant site has been shut down for a while, too. It is an information channel of the company provided for ELW investors.

BNP Paribas is also going through restructuring and business shutdown.




Not a few executive members of the derivatives business unit of the company were given a pink slip. BNP Paribas declined to make any comment about its derivatives business.

The rapid shrinkage of the local derivatives market amid the fast growth of its global counterpart is because of excessive regulations, which have caused

the amount of trading to decrease by 80 percent in just a couple of years. The multiplier for the KOSPI 200 option was raised from 100,000 won (US\$94) to 500,000 won (US\$470), and individual investors left. In addition, the minimum deposit was marked up after the scalper scandal in 2011, blocking small-sum investors from getting in from the get

go.

“The financial authorities of Hong Kong, Singapore, Thailand and the like are trying to grow their ELW markets by supplying sufficient liquidity, while doing their best to protect the investors,” said an industry insider, adding, “In contrast, the Korean government is focusing on short-term regulations to limit the trading volume and block individual investors.”

The FX margin trading market has also contracted significantly due to the same reason. Trading volume stood at 2.07 million in 2013, showing a 19.9 percent drop from a year earlier, while the trading amount fell 21.4 percent year on year to US\$264.2 billion. The minimum deposit was increased in April 2012, which drove out many individual customers. 

Fake Foreign Investors Investors Posing as Foreign Disturbing IPO Market



Korea's IPO market is having headaches due to investors disguising themselves as foreigners.

The disguised investors increased in number all of a sudden in the past couple of years, and are disturbing the market order by suggesting unreasonable prices to get more shares during the demand forecasting process. “The fake foreign investors have done great damage to both companies going public and their lead managers,” said an industry insider, adding, “The financial authorities, the Korea Exchange, and the Korea Financial Investment Association would be well advised to tackle such attempts

right away.”

A local investment bank official echoed the sentiment by saying, “The number of foreign institutions we have never heard of has skyrocketed in the IPO demand forecasting since 2011 or 2012, and we are guessing that they are fake foreign investors, but there is no way to verify it.”

“In the past, the number of foreign entities participating in IPO demand forecasting was just around 50 to 60, but it recently surged to 200 to 300,” said an IPO manager at a local securities firm, continuing, “Meanwhile, that of domestic institutional investors has remained still.”

Another IPO manager remarked, “We have examined if they really are foreign investors and found that we have never heard of their names, since when we have given them a low weighted value.” No less than 355 foreign institutional investors took part in the demand forecasting for Interpark INT, which was listed on February 6.

Many people are assuming that these entities are small-sized institutional investors or big players experienced in IPO investment, and that they are disguising themselves in order to get around regulations. The Capital Market Consolidation Act is capable of finding

foreign investors in domestic institutions, but does not cover foreign entities that make their investment on an agency basis in most cases.

The problem is that they not only affect initial public offering prices but also undermine the growth of the local capital market. “They suggest abnormally low prices in demand forecasting, to lower the IPO price band and put in their volume in those price ranges,” said the IPO manager, “We are very worried about the fact that there are too many fake foreign investors, and they affect the price setting process more than substantially.”

Their presence in the market signifies that real foreign investors, oriented toward long-term investment, can get fewer shares than before. Besides, the shares owned by the disguised come out to the market for profit-taking right after listing. This means greater difficulties in attracting long-term investors on the part of listed companies and less chance of distribution to major clients for IPO managers.

“The industry itself has no way to put a brake on them,” said an industry source, advising, “The financial authorities will have to step in to provide countermeasures.” 

Overseas Fund Investment

Alternative Energy and Healthcare Sectors Drawing Foreign Fund Investors' Attention



Korean asset management firms are showing high profit rates in the alternative energy and healthcare sectors abroad. They have made their investment in these fields since late last year.

According to fund information provider KG Zeroin, their equity funds investing in the healthcare and energy sectors recorded a profit rate of 13.11 percent and 5.77 percent between January 1 and March 7, 2014, respectively. The rate of return is even higher than the average earnings rate, 4.79 percent, of those investing in North America.


The healthcare funds' earnings rates are amounting from 9 percent to 15 percent in the Korean market, too. For example, the Dongbu Bio Healthcare I Fund has gained 15.19 percent since the first day of this year. More than 50 percent of the fund is invested in the biotechnology and healthcare industries.

Foreign funds are distinguishing themselves particularly in the energy sector. The Alpha Asset Tomorrow Energy 1A Fund of Fund is currently topping the chart with a rate of return of 17.73 percent. The fund's investment targets include wind, photovoltaic, bio-energy, geothermal, water power generation companies, and the like.

In the meantime, industry and securities market experts are providing mixed opinions as to the future growth forecasts of these sectors. "It cannot be denied that today's US financial market is showing enough soundness," said Fed president William Dudley, adding, "However, it is also true that there are some over-valuated sectors there, an example of which is biotech." US biotech industry shares have gained 9.10 percent since the beginning of this year, which is the third-highest of all, but has

also dropped 2.51 percent during the recent one week to plummet more than all of the other 68 industrial sectors.

"The IT and healthcare industries are showing a bullish movement nowadays, because investors are assuming extremely slow growth," Daewoo Securities Research Analyst Park Seung-yeong explained, continuing, "If the lopsidedness is exacerbated this week, investors would be well advised to adjust their portfolios."

Some experts are pretty positive about the alternative energy sector though. "Investment in photovoltaic power generation is creating a boom these days in the United States, Japan, and China, and this can be a nice opportunity for battery and energy storage system manufacturers and those investing in them," said Park So-hyeon, researcher at Korea Investment & Securities. 

Pension Fund

National Pension System Distinguishing Itself with High Return on Assets



It has been found that the five-year return on assets of the National Pension System (NPS) is the second-highest among the public pension funds of OECD member countries.

NPS Junior Research Analyst Roh Sang-yoon said on March 9 that the NPS recorded an annual average return of 5.9 percent between 2008 and 2012, to rank second among the 11 countries surveyed. The Instituto Mexicano del Seguro Social (IMSS) topped the list with an average rate of 6.0 percent, fol-


lowed by the Future Fund of Australia (5.0 percent), the Social Security Trust Fund (SSTF) of the United States (4.6 percent) and Government Pension Fund Norway (GPF-N, 4.4 percent)

In addition, the NPS ranked fifth, following its counterparts in the US, Japan, Norway, and Saudi Arabia in terms of asset size as of the end of 2012.

In the meantime, the NPS has recently decided to hold hands with Samsung Asset Management and Korea Investment Management for its overseas stock management. The decision made by the NPS, which has a great influence world-

wide as a management company handling 420 trillion won (US\$393 billion) of assets, is expected to be a great boon for Korean asset managers' overseas market penetration.

The QFII ceiling that the NPS has been granted from the Chinese government is US\$300 million, and the NPS has already invested one-third of it in Chinese bonds. The rest are going to be allocated to the four management firms, and the funds are planned to be executed before late May this year.

As of the end of November last year, the NPS invested 8 trillion won (US\$7.5 billion) in overseas assets. The amount is divided into 4.3 trillion won (US\$4.03 billion) in overseas stocks, 1.8 trillion won (US\$1.68 billion) in foreign bonds and 1.8 trillion won in alternative assets abroad. 


국민을 먼저 생각합니다
KB금융그룹

국가대표 이상화의 금메달급 환전서비스 KB국민은행 환전서비스

KB국민은행과 만나면 환전도 즐거워집니다!

- 전 세계 38개국 통화를 편리하게, KB네트워크 환전서비스
인터넷뱅킹, 영업점에서 신청하고, 외화현금은 공항에서 받으세요
- 여행이 즐거워지는 KB외화 환전/송금 부가서비스
항공미알리지 적립, 해외 여행자보험 가입 서비스도 받으세요
- 똑똑하고 실속있는 인터넷 맞춤환전서비스
원하시는 환율에 도달하면 KB국민은행이 똑똑하게 환전해 드립니다

※ 상기 환전서비스 내용은 당행의 사정에 따라 변동될 수 있습니다.
※ 기타 서비스에 관한 자세한 내용은 창구직원에게 문의하거나 KB국민은행 홈페이지(www.kbstar.com)를 참고하시기 바랍니다.
※ 준법감사관 심의필 제137호(2014.03.14)

 KB 국민은행

Love of Young Dreams

LG Group Cherishing Hopes and Dreams of Younger Generation

The LG Group is providing social contribution programs under the slogan of “Love of Young Dreams.” It is focusing particularly on adolescents from low-income households and multicultural families, so that they can keep their dreams alive even in harsh conditions.

The LG Group’s social contribution activities are based on the late founder Koo In-hoe’s philosophy. He used to say that any corporation should put social welfare first and make long-term contributions to society, instead of regarding money as its number one goal, since it cannot exist without the society it belongs to, like fish cannot exist out of water.

At present, the group’s subsidiaries are running more than 20 programs to support adolescents. They have provided education programs, medical assistance, and scholarships, while improving the educational environment for teenagers. At the same time, they have come up with in-depth training opportunities in science, language, music, and many more in cooperation with leading institutes so that adolescents can realize their dreams in the various fields of society.

One of the typical examples is the LG Multicultural School of Love, which was put into operation in 2010. Its purpose is to choose some multicultural teenagers talented in language and science and provide them with two-year, free-of-charge education in partnership with professors at the Hankuk University of Foreign Studies and the Korea Advanced Institute of Science & Technology. Over 340 students from 10 or so countries including China, Vietnam, Mongolia, and Japan are currently studying there.

Another one of the examples is the LG Music School of



Love. Since 2009, it has supported musically-talented children with leading musicians and professors both at home and abroad. Developed by LG and the Lincoln Center Chamber Music Society, the program selects 10 to 20 young pianists, violinists, violists, and cellists each year for one to two year group lessons and concerts.

The LG Group’s educational contribution is ongoing across the world, too. For instance, it has run a scholarship program since 2012 for the descendants of Ethiopian Korean War veterans. It constitutes a part of the LG Hope Community Project, which is the first global social contribution activity of the LG Group as a whole.

The company’s executive members provide worse off yet eager-to-learn beneficiaries with tuition and textbook expenses for three years until high school graduation. Over 100 local adolescents are benefiting from the program right now. ⁶⁸



Social Contribution Overseas

LG Chem Donates “Full of Hope” Library to Vietnam

Members of the employee consultation body at LG Chem enjoy their time with local children in the Full of Hope Library on Feb. 20, donated by LG Chem, located in an elementary school in Nhà Bè, Ho Chi Minh City, Vietnam.

LG Chem is actively seeking to perform social contribution activities overseas, starting in Vietnam. This is the first time for the company to be dedicated to its corporate social responsibility overseas.

The largest Korean chemical company announced on Feb. 20 that it donated Full of Hope Libraries to an elementary school and a vocational school in Nhà Bè, Ho Chi Minh City, Vietnam, and held an opening ceremony at the elementary school.

The 400-square-meter library is equipped with basic facilities for reading and studying, and multimedia education is possible thanks to 3,000 books, computers, TVs, and beam projectors. Around 2,000 students and 60,000 local residents are expected to experience cultural benefits.

LG Chem also said that 40 volunteers consisting of members of the employee consultation body and Korean teenagers painted library walls and drew pictures on them as part of the project to create Full of Hope Libraries. In addition, the company invited 20 low-income teenagers to a teen dream camp, which was held at a resort near the Ho Chi Minh City for two days. The camp was aimed at increasing global civic consciousness and helping make their dreams and visions come true.

“I hope that Full of Hope Libraries donated by LG Chem will provide Vietnamese students with an opportunity to



learn. I also hope that it will become a place where students are encouraged to have dreams and realize their possibilities,” said Jun Dae-joo, Korean ambassador to Vietnam. He added, “Today’s opening ceremony has an important meaning, in that that LG Chem and Vietnam will work together.” These remarks were made during his congratulatory speech for the opening ceremony.

Cho Gap-ho, LG Chem’s managing director, noted, “I hope that many Vietnamese teenagers will have dreams and hopes in the Full of Hope Library, and make their society a better place to live in.” He added, “We will try our best to contribute to the economic growth of Vietnam and the development of local society.”

Last year, the Korean chemical firm created a Corporate Social Responsibility (CSR) team to intensify efforts to expand its social contribution activities. The company is showing its dedication to its corporate social responsibilities through its consistent involvement in overseas social contribution activities, starting from its donation of the Full of Hope Library in Vietnam. **BK**





Samsung Group Chairman Lee Kun-hee.

Hyundai Motor Group Vice Chairman Chung Eui-seon received 22.89 billion won (US\$21.59 million), which has increased by 1.6 percent year-on-year.

Third place went to SK Group Chairman Choi Tae-won, whose dividend amount rose 19.9 percent to 28.57 billion won (US\$26.95 million). LG Group Chairman Koo Bon-moo ranked fifth, as his dividend income decreased by 0.8 percent to 19.22 billion won (US\$18.12 million).

CJ Group head Lee Jae-hyeon's dividends soared by 45 percent from the preceding year to 11.83 billion won (US\$11.16 million). He joined the 10 billion won list for the first time, ranking 12th. In contrast, ruling Saenuri Party lawmaker and Seoul City mayoral can-

Dividend Income

Samsung Electronics Chairman Lee Kun-hee Tops Dividend Income List for 2013

Samsung Electronics Chairman Lee Kun-hee was the person with the greatest dividends from the sales activities of Korean companies as of the end of the fiscal year of 2013. Hong La-hee, director of the Samsung Museum of Art and wife of the Chairman, took the highest rank for a woman.

The survey was made by Chaebul.com and the result was announced on March 6. The financial information provider surveyed 713 companies that made an announcement of dividend payments between January 1 and March 5 this year. The interim dividends were included in the sum of the major stockholders and affiliated persons for the 2013 fiscal year.


Chairman Lee earned over 100 billion won in dividends, and has remained on top for four consecutive years. He

received 107.86 billion won (US\$101.7 million) from Samsung Electronics, Samsung Life Insurance, and Samsung C&T. The total amount increased 4.4 percent from a year earlier.

His wife ranked fourth on the list with 15.49 billion won (US\$14.61 million) and his son, Samsung Electronics Vice Chairman Lee Jae-yong, took the 11th spot with 12.02 billion won (US\$11.33 million). Their dividends went up by 78.8 percent year-on-year for them to join the 10 billion won list. The three family members' total combined dividend income is 135.37 billion won (US\$127.65).

In the meantime, Hyundai Motor Group Chairman Chung Mong-koo followed the head of the electronics manufacturer with 49.5 billion won (US\$46.7 million), 2.4 percent up from a year ago.

didate Chung Mong-joon and Hyundai Marine & Fire Insurance Chairman Chung Mong-yoon had to see their dividends fall 20 percent and 47.6 percent to 15.44 billion won (US\$14.56 million) and 10.72 billion won (US\$10.11 million), respectively.

According to the result of the survey, the number of those with more than 10 billion won of dividends amounted to 13. A total of 199 persons received at least one billion won in dividends, and 1,094 shareholders were given more than one billion won. Women totaled 222 out of the 1,094 stockholders, or 20.3 percent. Following the first ranker Hong La-hee, Shinsegae Group Chairperson Lee Myeong-hee was the second ranker among them. Her dividends fell 2.1 percent from a year ago to 8.94 billion won (US\$8.43 million). 

Desolate SK Group

Supreme Court Upholds Prison Terms for SK Group Chief, VP

The nation's top court on Feb. 28 upheld a four-year jail sentence against the head of the country's third-largest conglomerate, SK Group, for embezzling company funds.

Chey Tae-won was convicted of embezzling 46.5 billion won (US\$43.6 million) from two SK Group affiliates, including top mobile carrier SK Telecom Co., and funneling the funds into personal investments in stock futures and options in 2008.

The Supreme Court rejected the 53-year-old tycoon's final appeal against a verdict handed down by two lower courts, saying that he had acted out of personal greed.

In the same ruling, the court also upheld a lower court's verdict of three years and six months in prison handed down to Chey Jae-won, the Chairman's younger brother and the group's Vice Chairman, for conspiring with the elder Chey in the embezzlement scheme.

The ruling is unusual in a country where judges are known for being lenient to powerful tycoons. The sentence will be seen as an effort by the judiciary to break away from a long practice of giving light punishment to owners of family-run conglomerates, or chaebol, usually citing their importance to the national economy.

"The ruling is significant in a way that the court impartially convicted the two executives of SK Group of using affiliates as the means of their crime to fulfill greed," said a court official.

The Supreme Court agreed with an appellate court's decision to question the credibility of a key witness in the case, Kim Won-hon. Kim has been accused by Chairman Chey as the main culprit behind the massive embezzlement scheme.

The Supreme Court also sided with the Seoul High Court's judgment that Chairman Chey has not shown sincere remorse, citing his previous crime record.

The elder Chey was previously sentenced to three years behind bars in 2003 for accounting fraud and illegal stock trading. However, he was released on bail the same year.

SK Group, the third-largest conglomerate by assets after Samsung Group and Hyundai Motor Group, has more than 90 affiliates, mainly in the fields of energy and telecommunications. **BK**



The headquarters building of SK Group.

Hanwha Group Chairman

Door Opens for Normalization of Hanhwa with Suspended Prison Term Given to Kim

A Seoul appellate court convicted Hanwha Group Chairman Kim Seung-youn for embezzlement and gave him a suspended prison sentence on February 11.

In a retrial held four months after the Supreme Court sent the case back, the Seoul High Court sentenced Kim to three years in prison with a five-year stay of execution.

Kim was found guilty of using company money to pay back debts to other firms he was running under borrowed names, causing hundreds of billions of won in losses to the 10th largest conglomerate in Korea.

Upholding a lower court's decision, the court also ordered the Chairman to pay 5.1 billion won (US\$4.5 million) in fines.

Judge Kim Ki-jeong said in his ruling, "The defendant has constantly made efforts to recover losses he caused to the conglomerate and deposited 159.7 billion won [US\$149 million]

of his private money." He added that he took Kim's poor health into consideration.

Chairman Kim, who was sent to prison immediately after the verdict was read in the district court, was released from prison in January 2013 after the court accepted his request to temporarily suspend his sentence.

The Chairman has since been staying at a Seoul hospital to receive treatment for breathing problems and manic depression.

The Supreme Court in September reversed an appeals court ruling against Kim on embezzlement charges, and sent the case back to the Seoul High Court to recalculate some of the financial damages incurred by the group. **BK**



Kim Seung-youn, chairman of Hanwha Group, spent some time in a hospital after being sentenced to receive treatment for breathing problems and manic depression.

Expansion of Risk

Ukrainian Crisis Showing Signs of Leading to Stagnation of Emerging Economies



Protestors throw Molotov cocktails at Interior troop positions during protests on Jan. 19, 2014. (Photo by Mstyslav Chernov via Wikimedia Commons)

Korean companies are busy preparing countermeasures against the Ukrainian crisis. An increasing number of them are re-examining their investment plans and business strategies in emerging economies, including Russia, as the instability is expected to spread to those regions.


According to the Korea Trade-Investment Promotion Agency (KOTRA), Ukrainian companies are in no position to start a new business, and their imports from abroad are estimated to be cut by at least 20 percent. Still, no large Korean company is doing business there now, and the impact of the crisis is expected to be rather limited.

The problem is that the situation could result in a conflict between the Western world and Russia, which would affect the Russian economy. Then, Korean companies in Russia could take a direct hit. For example, Hyundai Heavy Industries, which runs a high voltage circuit breaker manufacturing plant in Vladivostok, mulled over facility expansion until earlier this year, but has withdrawn the plan in view of the stagnation of and increasing concerns over the Russian economy.

"Fewer and fewer Korean companies are likely to be willing to invest in Eastern Europe if the Ukrainian crisis exacerbates to a greater conflict between the two regions," said Jo Hyeon-man, director at the Federation of Korean Industries. He also explained, "They will have to consider non-economic factors, such as political conditions, when entering emerging mar-

kets in that the crises, including that in Ukraine, are based on non-economic situations." Besides, the tapering by the United States and the economic growth slowdown in China are compounding the matter as well.

The Hyundai Motor Group held an emergency meeting to provide against the possibility of crises in the BRICs, too. The automobile markets of the regions are showing a weakening growth momentum these days. The total demand increased from a year earlier in 2013, with the only exception of China. Even the car sales in China are predicted to drop by 7.7 percent this year, although the growth rate reached 14.4 percent last year. In India, the total sales declined 7.3 percent year on year in 2013 to post negative growth for the first time in 15 years. Russians bought 5.3 percent fewer cars during the same period as well.

Electronics manufacturers are also wary of what will become of the Ukrainian crisis, and what impact it will have in emerging economies. "The electronics markets of the BRIC countries have slowed down since last year, and political risk factors are emerging again nowadays to add to the problem," said an industry source, continuing, "The domestic electronics sector might be greatly affected in that the BRIC regions are not just large consumer markets, but also important manufacturing bases." 



절전으로, 넉넉한 세상을 만들기 위해 KEPCO가 앞장서고 있습니다

전열기 대신 방한복으로, 에어컨 대신 부채로 추위와 더위를 이겨냅니다. 엘리베이터 대신 계단은 기본이지요. 전기를 절약하면 이산화탄소가 줄게 되고 환경을 위한 비용은 절감되어 결국 세상은 조금씩 더 넉넉해집니다. 건강하고 넉넉한 세상을 위한 전기절약 - KEPCO가 앞장서고 있습니다



한국전력공사
KORER ELECTRIC POWER CORPORATION

Continuous Trade Surplus

Korea's Exports Amounted to US\$42.9 Billion in Feb, Up 1.6 Percent from 2013

A bird's eye view of Busan Port. Trade surplus in November amounted to about US\$4.8 billion, up 3.8 percent from a year ago.



The Ministry of Trade, Industry and Energy (MOTIE) announced on March 1 that Korea's exports reached US\$42.989 billion in Feb., a 1.6 percent year-on-year gain. The nation recorded a trade surplus of US\$926 million, continuing the surplus trend for the 25th consecutive month.

Among export items, wireless telecommunication devices posted 34.5 percent growth, semiconductors 14.5 percent, automobiles 9.1 percent, and steel 0.4 percent, respectively, compared to the same month last year. In contrast, petroleum products (-15.4 percent),

Outbound shipments of consumer goods such as mobile devices and home appliances to the EU vastly increased, and those of ships to ASEAN soared as well.

On the other hand, February saw its monthly exports to Latin America (-11.9 percent) and the US (-6.7 percent) shrink. Outbound shipments to Japan also decreased by 9.5 percent owing to the huge influence of a weak yen, continuing a downward trend for the 13th month in a row. However, Korea experienced an improvement in a reduction in exports to Japan compared to the December and January figures (-12.6

LCD (-11.1 percent), vessels (-7 percent), petrochemicals (-6.8 percent), and machinery (-2.4 percent) recorded negative growth.

By region, exports to ASEAN (15.1 percent), the EU (10.6 percent), and China (3.8 percent) showed a positive trend.

percent and -19.8 percent).

Outbound shipments to the Fragile Five grew, with Turkey (29.3 percent), Brazil (24.5 percent), and India (1.4 percent) showing positive numbers, whereas those to South Africa (-69.1 percent) and Indonesia (-34.9 percent) shrank greatly.

Meanwhile, inbound shipments of raw materials such as crude oil decreased. In contrast, imports of consumer goods such as cars and capital goods, including semiconductor manufacturing equipment, wireless telecommunication devices, semiconductor memory chips, and liquid crystal components increased.

An official at MOTIE said, "The nation's export growth last month fell short of expectations, affected by a delay in advanced economies' recovery and economic crisis of emerging markets." The official added, "But the country's export growth is expected to swing into high gear after the second quarter, based on this year's industry forecast." 

Speedy Export Growth

Last Year's Korean Export Volume Growth Third Fastest in the World

The container port of Busan, Korea's busiest export port and the world's 5th largest as of 2012.



South Korea's export volume grew at the third-fastest pace among the top 10 exporting countries in 2013, a traders' report showed on Feb. 18.

According to findings by the Korea Inter-

national Trade Association (KITA), the country's export volume grew 6 percent year-on-year, trailing only Hong Kong and China in terms of growth. The two economies reported gains of 6.6 percent and 6.5 percent, respectively, compared to 2012.

The gains greatly exceed the 2.7 percent growth average tallied for the

global economy as a whole, KITA said.

Market watchers said the growth reached last year is noteworthy because it was achieved in the face of the weak Japanese yen that adversely affected the price competitiveness of locally-made goods. This shows that the country is now selling higher-end quality products that are less affected by exchange rates, they said.

Britain and Germany, also in the top 10, posted gains of 3.2 percent and 2.3 percent from the year before, with the Netherlands, the United States, and France all pulling off positive growth of 1.5 percent to 2 percent.

The export volume for Italy and Japan, on the other hand, contracted 0.1 percent and 0.4 percent, respectively, from the previous year.

Compared to 2009 when worldwide trade was dented by the global financial crisis, South Korea's exports expanded 9.6 percent, placing it second only to China whose numbers hit 12.1 percent.

KITA said in terms of growth measured in value, the country ranked sev-

enth, trailing just behind the United States. The value of South Korean exports was up 1.7 percent in the first 11 months of last year, compared to the year before.

Britain led the pack by pulling off a 14.6 percent expansion, followed by Hong Kong, which grew 9.8 percent, and then China. Numbers for Britain and Hong Kong are inflated because gold exports are taken into account, according to KITA. Germany and Italy completed the top five, with France, the Netherlands and Japan all trailing South Korea.

South Korea's exports to China jumped 8.6 percent year-on-year last year. The country's import product market share in China hit 9.2 percent, making South Korea the No. 1 seller there, surpassing Japan for the first time.


The country did well in the United States, with exports of cars and information technology products jumping 15.3 percent and 19.3 percent, respectively.

The market share of South Korean products in the world's largest market

reached 2.8 percent, the highest since 2004.

KITA said outbound shipments to countries that have free trade agreements with South Korea also did well last year. Exports to the United States were up 6 percent, with numbers for the European Free Trade Association (EFTA) surging 63.3 percent.

Exports of consumer products accounted for 37.5 percent of all products shipped abroad, up from 12.1 percent in 2010, with shipments of semiconductors rated as the No. 1 export item for the country. Computer chip exports jumped 13.3 percent to US\$57.1 billion, with South Korean-made semiconductors making up 20.5 percent of the market share in the US.

"Overall, in terms of value, last year's exports have fully recovered to 2011 levels and effectively laid the groundwork for more robust growth this year," said Oh Se-hwan, a senior researcher at KITA's Institute for International Trade. 

Value-added Criteria Exports

Share of Korean Added Value Exports Bigger in G7 Countries than BRIC


The Electronics and Telecommunication Research Institute (ETRI) has developed a new certification method for smartphone-based financial transactions. Named Touch Sign, this technology is expected to address the problem of the theft of accredited certificates reaching over 10,000 in number a year.

The institute announced on January 14 that the innovative certification technology allows electronic signature and transaction logins when a user touches his or her smartphone with a cash card, a debit card, or the like with a built-in security function. The Touch Sign incorporates NFC security module control technology, user terminal certification

technology, card-based user certification technology, electronic signature technology for face-to-face transactions, and mobile certification management technology. It is regarded to be highly convenient yet still secure.

At present, most accredited certificates are present in the form of a file stored on a PC, and are not free from infection with viruses and malignant code and intrusions by hackers.

In contrast, with the Touch Sign,

the certificates can be stored on a USIM card or micro SD of a smartphone with enough security. Also, these can be put in an NFC card, as with a public transit card, and thus can be free from smishing. 



The container port of Busan, Korea's busiest export port and the world's 5th largest as of 2012.

AP Development Competition

Why Is Samsung Taking So Long to Develop a 64-bit Application Processor?

Competition in the global semiconductor memory chip industry for a 64-bit application processor (AP) has heated up.

According to sources in the semiconductor and mobile industries on March 4, major AP suppliers such as Qualcomm, Intel, and MediaTek recently unveiled their first 64-bit processor, after Apple featured its 64-bit AP in the iPhone 5s last year. Samsung Electronics, on the other hand, is said to be leaning towards optimization rather than rushing into developing the processor.

AP suppliers are making a strenuous effort to develop 64-bit ARM chips in order to overcome the limit of RAM capacity, and to have a more efficient processing structure. In fact, a 64-bit AP is able to use up 4GB or more of RAM and process data 20 percent faster

than conventional ones without any improvement in clock speed, due to the optimized structure of commands. In contrast, the existing 32-bit chip cannot utilize 3GB or more of RAM. That explains why AP suppliers are expediting the development of 64-bit chips.


To be specific, the world's number one AP maker Qualcomm showcased two 64-bit mobile chipsets — the quad-core Snapdragon 610 and the Snapdragon 615 — at this year's Mobile World Congress (MWC). The Snapdragon 615 is Qualcomm's first Octa-core AP, and the Snapdragon 610 is a quad-core chip. Both chips are based on the 28nm manufacturing process, and support Category 6 LTE-Advanced 300 Mbps. However, only prototypes have been unveiled so far.

MediaTek appears to be active in the development of 64-bit chips as well.



The Taiwan-based company revealed MT6732, a 64-bit chipset with category 4 (150Mb/s download) LTE connectivity and a clock speed of 1.5GHz at the same event.

Intel also developed its 64-bit Atom Processor Z3480 (aka Merrifield) for smartphones and tablets. The Z3480 is optimized for the company's XMM 7160 LTE Modem. The dual core processor is based on Intel's 22nm Silvermont micro architecture with a clock speed of 2.1GHz.

While rival companies are spurring the development of a 64-bit AP to dominate the market, Samsung is intensifying efforts to develop its own 64-bit processor, in line with its original plan. Instead of developing a new chip ahead of schedule, the Korean tech giant is reportedly putting more weight on product optimization, since Google's Android platform cannot fully support 64-bit architecture at the moment. Some in the industry think that Samsung will first use its 64-bit chip in entry-level and mid-range 3G smartphones, like Qualcomm. 

Focus on System-on-chips

Samsung Electronics Releases New Mobile Component Products in Quantity



The 16-megapixel Isocell image sensor launched by the System LSI Division of Samsung Electronics


The System LSI Division of Samsung Electronics released six new system-on-chip products on February 26, including an application processor (AP), a CMOS image sensor, and a communication chip. It is unprecedented that the division launched as many products at one time. Although no launch event was held on that day, the products are considered to reflect president Woo Nam-seong's future business strategy for this year.

The president, who is in his fifth year in office, has had hard time due to

a less-than-expected performance. The System LSI Division's slow growth has been highlighted by the Memory Business Division, which has enjoyed an explosive growth for the last three years thanks to the popularity of Samsung's smartphones. Even the IT & Mobile Division of Samsung Electronics that manufactures smartphones has used Qualcomm processors instead of the Exynos AP.

Under the circumstances, industry insiders are paying great attention to the System LSI Division's business

performance for this year. The six new products are regarded as groundwork for some turnaround.

They are focusing particularly on the sales figures. According to Samsung Electronics, the System LSI Division recorded 3.42 trillion won (US\$3.20 billion) in sales in 2008, about one-third of the Memory Business Division's 11.58 trillion won (US\$10.85 billion). However, the former's sales estimate for last year is 13.73 trillion won, more than 50% of the latter's estimate for the same year. 

New Management Lineup

Why Did SK Hynix Recruit Former Samsung Executives?



SK Hynix is going to push ahead with its plan to revamp personnel management, its organizational structure, and its business areas to break from its heavy reliance on the memory chip-making business. It means that the world's second-largest maker of memory chips aims to grow as an integrated device manufacturer (IDM) that carries out memory products, system semiconductors, and IC foundry businesses just like Samsung.

According to sources in the semiconductor industry on February 4, the Korean chip-maker recently hired Suh Kwang-pyuk, an ex-Samsung official, as the president fully responsible for future technology and strategy. President Suh began his career at global chipmaker Intel and worked his way in 2000 up to the head researcher for system-on-chip (SOC) and the head of the foundry business at the System LSI division of Samsung Electronics. His recruitment as a specialist in non-memory chips can be interpreted as the firm's intention to create synergy at SK Group.

In addition, SK Group appointed former President Lim Hyung-kyu of Samsung Electronics' System LSI division as Vice Chairman in charge of creating a new cash cow in the information communication technology (ICT) sector, and making broader plans for long-term growth. The Vice Chairman is the same age as Woo Nam-suk, president of Samsung's System LSI division, and consid-

ered to be one of the leading experts on the system semiconductor field in the country.

President Oh Se-young, who joined SK Hynix last year, will continue to run the memory business. He also worked at Samsung Electronics as an expert in semiconductors. When working at Samsung Semiconductor, he was selected as a Samsung Fellow, the highest recognition at Samsung.

With these appointments, three former Samsung officials are going to be responsible for the semiconductor business, with Lim as a control tower, Suh as the head of non-memory business, and Oh as the head of the memory business.


The reason for SK Hynix's active involvement in non-memory fields can be interpreted to mean that the memory business is greatly affected by the global economy. Last year, the memory chip maker achieved its highest-ever annual figures for sales (14.165 trillion won, US\$13.131 billion) and operating profit (3.38 trillion won, US\$3.13 billion), owing to soaring DRAM prices caused by an increase in demand. However, the company's performance after the first half of this year is unclear, due to the saturation of the local mobile market.

The non-memory business, on the other hand, is more likely to grow, because of its various uses in PCs, mobile devices, cars, and electronic and precision equipment. World Semiconductor Trade Statistics (WSTS)

estimates that the global NAND flash memory market will grow 0.5 percent this year, while the global system semiconductor market will grow 4.6 percent.

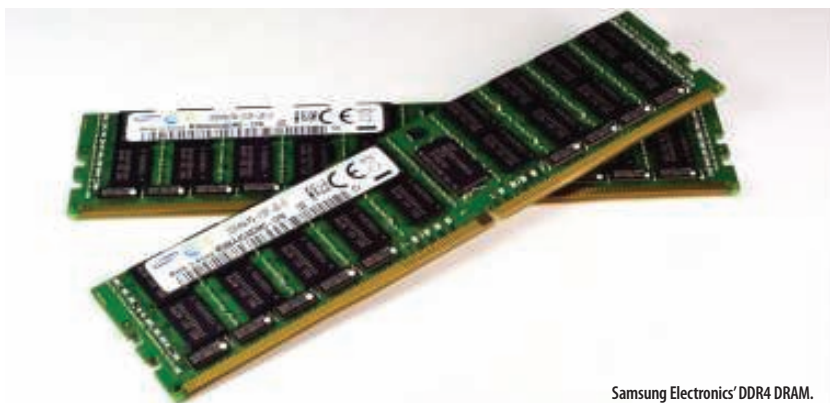
In particular, the electric/electronic sub-assembly (ESA) market is cited as a new blue ocean, since the market is likely to grow every year. Consulting firm McKinsey & Company predicts that the global ESA market will equal US\$200 billion (212 trillion won) in 2015. Currently, SK Hynix is running a system semiconductor business mainly in the field of CMOS image sensors and SSD controller chips. The company is reportedly going to develop application processors in partnership with its holding company, SK Telecom.

The Korean chip manufacturer is expected to assign President Suh to revitalize the foundry business, since the sector plays an integral part in departmentalizing the semiconductor manufacturing process and increasing production capacity. The foundry business merely made up 4 percent of the company's total sales last year.

If SK Hynix runs memory, non-memory, and foundry businesses all together, it will be able to be reborn as an IDM. Furthermore, its position in the group is likely to be strengthened even more. The firm represents 8 percent of the SK Group's overall sales, and the group's total sales in 2012 amounted to 158 trillion won (US\$146 billion). 

DRAM Prices

Downward Trend in DRAM Prices Likely to Continue in Q1



Samsung Electronics' DDR4 DRAM.

Computer memory prices are showing a downward trend, as supply exceeds demand. The industry predicts that the trend will continue in the first quarter of this year.

According to semiconductor e-commerce site DRAMeXchange on March 10, the DRAM spot price for flagship product DDR3 256Mb (1333MHz) was US\$2.28 as of March 7, a 1.34 percent drop from the previous day. Compared to the figure for Feb. 28 (US\$2.528), the price decreased by 9.8 percent within a week.

In fact, the DRAM spot price has continued to drop since late Feb. On March 3, the price was US\$2.458, a 2.77 percent decline. Computer memory prices in the spot market fell for the 6th day in a row, as evidenced by US\$22.595 (-2.56 percent) on March 4, US\$22.369 (-1.09 percent) on March 5, and US\$22.311 (-2.45 percent) on March 6.

Market research analysts predict that the downward trend in DRAM prices will continue for the time being. DRAMeXchange said that the average sale price of computer memory in Q1 2014 is expected to edge down 10 percent compared to the same period last year, as long as there is no decisive factor in supply. DRAM


prices are more likely to continue to inch down until mid-Q3 2014.

Experts are forecasting that specific manufacturers will intensify their mar-

ket share due to the decrease in price. In particular, Samsung Electronics' influence is projected to be much bigger when it begins to mass-produce 20-nanometer NAND flash memory chips, which is 40 percent higher in production efficiency than 25-nanometer-class DRAM.

Observers say that Samsung's mass production of 20 nm DRAM is going to be a crucial factor in a reduction in DRAM prices, stemming from an increase in supply. Therefore, a decrease in market share of SK Hynix and Micron, which have been benefiting greatly by following Samsung's move, seems inevitable in the long term.

Regardless, three major companies such as Samsung Electronics, SK Hynix, and Micron are likely to continue to dominate the DRAM market for the time being.

Lee Se-cheol, an analyst at Woori Investment & Securities, said, "DRAM is mainly produced by Samsung Electronics, SK Hynix, and Micron. So, I think that they will keep thriving." 

20 Nm DRAM

Samsung Electronics First to Mass Produce 20 Nm 4Gb DRAM

Samsung Electronics unveiled on March 11 that it will be the first to mass produce 20 nm 4Gb DDR3 DRAM starting this month.

The company said the 4 gigabit double data rate-3 (DDR3) modules using 20 nm class technology will be used in a wide range of computing and mobile applications. Manufacturing productivity for the chips is over 30 percent higher than that of the 25 nm DDR3, and twice that of the 30 nm classes.

Korea's number 1 chipmaker said that it will continue to make efforts to produce 10 nm class DRAM in the future and maintain its technological lead in the sector.

"We will grow the low-power consuming 20 nm DRAM to a mainstream product in the PC and mobile application markets through rapid distributions in those markets," said Jun Young-hyun, executive president of the memory sales and marketing division, adding, "We

will contribute to the global IT industry by launching the next generation large-capacity DRAM and green memory solutions down the road.”

According to the market researcher Gartner, the global DRAM market is expected to reach US\$37.9 billion in 2014, up 6.4 percent from the US\$35.6 billion posted a year earlier.

Samsung Electronics unveiled on March 11 that it will be the first to mass produce 20 nm 4Gb DDR3 DRAM starting this month.

The company said the 4 gigabit double data rate-3 (DDR3) modules using 20 nm class technology will be used in a wide range of computing and mobile applications. Manufacturing productivity for the chips is over 30 percent higher than that of the 25 nm DDR3, and twice that of the 30 nm classes.

Korea’s number 1 chipmaker said that it will continue to make efforts to produce 10 nm class DRAM in the future and maintain its technological lead in the sector.

“We will grow the low-power consuming 20 nm DRAM to a mainstream product in the PC and mobile application markets through rapid distributions in those markets,” said Jun Young-hyun, executive president of the memory sales

and marketing division, adding, “We will contribute to the global IT industry by launching the next generation large-capacity DRAM and green memory solutions down the road.”

According to the market researcher Gartner, the global DRAM market is expected to reach US\$37.9 billion in 2014, up 6.4 percent from the US\$35.6 billion posted a year earlier. **BK**



Samsung Electronics' 20nm 4Gb DDR3 DRAM that it can start to mass produce this month.

Another Patent Hurdle

Semiconductor Patent Lawsuit Brought against Samsung Electronics

Samsung is in danger of being embroiled in another patent dispute before the patent battle with Apple is finalized. This time, it relates to the semiconductor area, the Korean tech giant’s pride and main business. Industry analysts are saying that as Samsung has been dragged into the patent infringement lawsuit with Apple for years, the Korean company itself has become a target of global Non-Practicing Entities (NPEs), or patent trolls.

According to industry sources on March 13, US patent company DSS Technology Management (DSS TM) brought charges against Samsung Electronics and Taiwan Semiconductor Manufacturing Company (TSMC) to the US District Court for infringing on its technology patent acquired in 2013.

This is the fourth time for the Korean firm to be sued for patent infringement in the semiconductor field, follow-

ing a lawsuit brought by Texas Instruments in 1986, Rambus in 2005, and Spansion in 2008. At that time, Samsung signed a license agreement with these companies, or paid indemnities.

The technology in question is reportedly related to the manufacturing process of semiconductors. Formerly known as Lexington Technology Group, DSS TM is a subsidiary of Document Security Systems.

In fact, DSS TM filed a lawsuit against Apple for infringing on two patents connected with the use of wireless peripheral devices last year. The US patent troll said that the iMac, Mac mini, iPad, iPhone, iPod touch, iPod nano and the forthcoming Mac Pro infringed one or more of the claims of its patents in providing wireless Bluetooth connections to a plurality of peripheral devices.

Previously, ZiiLABS, a subsidiary of Singapore-based Creative Technol-



ogy, brought a legal action against Samsung and Apple to the US District Court for its patent associated with graphics processing units (GPUs).

Experts are saying that Samsung’s legal battle with Apple contributes to the fact that Samsung is constantly drawn into patent lawsuits.

An official at the Korea Patent Attorneys Association explained, “Samsung has been benefiting a lot from its patent lawsuit with Apple, but suffering heavily at the same time.” The official stressed, “In particular, the great loss is that global NPEs have started to pay attention to the Korean firm. So, additional patent disputes cannot be ruled out.” **BK**

Virtual Desktop Access

Korea's DaaS Technology Approved as International Standard for Cloud Computing

According to the Korea Electrotechnology Research Institute (KERI) on March 10, its Desktop as a Service (DaaS) technology, which allows data access regardless of location and time, was selected as the first international standard for cloud computing. The decision was made at an ITU-T Focus Group on Cloud Computing (FG Cloud) meeting in Geneva, Switzerland on Feb. 28.

This technology is a cloud service in which the back-end of a virtual desktop infrastructure (VDI) is hosted by a cloud service provider, providing users with services for desktop use, rather

than simply providing storage space as Webhard.co.kr does.

Hence, it is possible for users to see their desktop and search documents through a connection to the VDI via the Internet. This means that users can have access to their files and programs anywhere, even when logging in during an overseas business trip.

The technology standard defines the requirements for DaaS, and Korea has



a right to edit the standard. ETRI said that it is planning to make a strenuous effort to develop international standards for the service and reference structures of DaaS. ^{ETRI}

Desktop Alternative

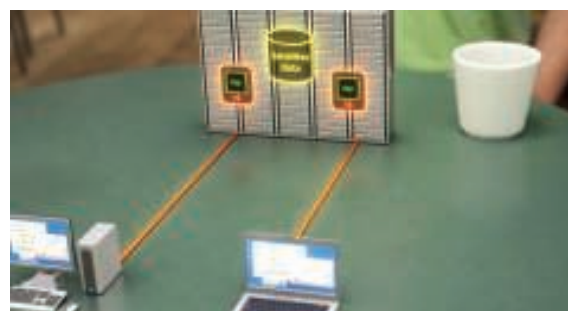
Desktop Virtualization Emerging as Alternative to Windows XP

Various companies are focusing on desktop virtualization for the most effective utilization of PC resources amid the popularization of smart work. In particular, virtualization is emerging as an attractive cost-saving tool with Microsoft planning to halt its support for the Windows XP operating system. In short, the current change in the IT environment is shifting the concept of a PC from a thing to be owned to something to be shared.

Desktop virtualization is characterized as using PCs in offices on a cloud computing basis. The software and

hardware, which may pose a financial burden on the part of companies, are not purchased at a time but the payment is made in proportion to the amount of use. Not only desktop computers, but also smartphones and tablet PCs can be used for work, once programs are downloaded and IDs and passwords are typed in.

This concept has been in place for years in fact, but its popularity is rising rapidly these days because of its advantages associated with cost reduction and information security. With desktop virtualization, the PC repair and maintenance costs can be cut and hardware can be



replaced less frequently. In addition, the risk of information leakage and hacking can be better addressed with corporate data managed in an integrated way.

“Companies can shift to Windows 7 or Windows 8 without any application compatibility problem by means of desktop virtualization solutions, and this is why more and more companies are getting interested in this new way of working,” said an industry expert, adding, “Even government organizations and financial institutions are making inquiries to bring in the concept.” ^{ETRI}



Touch Screen Industry

TSP Makers Exposed to Harsher Competition Conditions

Competition among touch screen panel (TSP) manufacturers is showing signs of heating up, as more and more companies from not just Korea but also China jump into the market this year.

SMAC, a Korean company, increased its sales and improved its profitability last year. Its turnover and operating profits for last year reached 556.5 billion won (US\$524.8 million) and 47.7 billion won (US\$44.9 million) on a consolidated basis, with a rate of increase of 14.6 percent and 32.5 percent, respectively. The rapid growth can be attributed to the improved sensing of indium tin oxide (ITO) and a significant increase in production yield.


Synopex, in the meantime, could enhance its profitability in spite of a drop in annual sales. The total sales fell approximately 19 percent to 439.4 billion won (US\$414.4 million), but the business profits jumped 185 percent to 8.4 billion won (US\$7.9 million). The former is due to a drop in the unit price of third-generation PF1, or plastic film, touch screens, but as the total demand increased, more raw materials were replaced with non-imported ones, and the production yield was improved to offset the adverse factor.

ELK witnessed increasing business losses though. The company managed to increase its annual sales by 57.6 percent to 183.9 billion won (US\$173.4 million) between 2012 and 2013, but the operating losses jumped six-fold to 36.3 billion won (US\$34.2 million). The stabilization of the yield of the new fine pitch process, which is used to make TSPs thinner, was delayed to exacerbate the defect ratio.

Things are even worse for Melfas. Its operating losses amounted to 3.9 billion won (US\$3.6 million) during the first three quarters of 2013, plummeting from the 23.8 billion won (US\$22.4 million) of 2012. Although the profitability appears to have improved in the last quarter, the company is likely to remain in the red for the entire year of 2014. The new touch module product G1F enjoyed high popularity, but the low average selling price and production yield dragged down its profitability.

Digitech Systems is on the brink of insolvency due to its loan fraud allegations and conflicts surrounding corporate ownership. Its two plants in Paju, Gyeonggi Province have been shut down recently, with the company being on the verge of delisting following fraudulent accounting and false public announcements.

With the situation as it is, an increasing number of new players are joining the market. For example, IM, which developed its own touch panel last year by means of fluorine-doped tin oxide (FTO) and silver nano, is trying to achieve sizable sales this year by supplying the product to more clients. O-Film, the largest TSP manufacturer in China, is enhancing the scale of its business while refining its technology to have a great impact in the global markets, including Korea.

"The close competition will result in a sort of winnowing this year," said a market watcher, adding, "However, even those companies that manage to survive will have to strive harder for competitiveness with Chinese rivals expanding their presence here." 

Threat of Microsoft

Nokia-merged Microsoft Likely to Use Dominant Position in Patents

Korean electronics manufacturers and the authorities concerned respond to Microsoft, which has recently acquired Nokia, in order to provide against its dominant position in the global market as a patent owner and price setter.

The Korea Electronics Association (KEA) submitted a petition to the Fair Trade Commission (FTC) on March 7 with the Korea Software Industry Association, the Korea Semiconductor Industry Association, and the Korea Battery Industry Association, claiming that Microsoft is likely to keep Korean manufacturers in check by means of Nokia's patents.

Microsoft decided to take over the mobile phone business unit of Nokia at a cost of approximately US\$7.2 billion back in September last year. Since then,


the two companies have gone through business combination reviews in countries around the world and won approvals in the US and Europe in December 2013. The FTC is carrying out the examination in Korea.

Korean companies are particularly concerned over the possibility of Nokia turning itself into a patent troll through the acquisition. Microsoft let Nokia own and use its mobile patents for 10 years from the acquisition.

This means that Nokia can exercise its patent rights at will, even without manufacturing handsets, for that period of time. "As a mobile phone maker, Nokia rarely exercised its patent rights because of its cross-licensing with Samsung Electronics, Apple and the like, but now it can launch patent lawsuits or demand an increase in royalties with-



out any limitation," said KEA lawyer Hwang Eun-jeong, adding, "At the same time, Microsoft can expand its mobile phone business while keeping Samsung and Apple at bay by utilizing Nokia as a sort of cannon fodder."

The business consolidation review is taking more and more time in China as well due to the very same concerns. "The FTC needs to look deeply into the possible impact from the acquisition," the KEA explained, continuing, "We also suggested an approval on condition of Microsoft's acquisition of not only the business unit but also its patents." 

Market Dominator

Samsung Occupying More than Twice Apple in Smartphone Market Share

According to research firm Strategy Analytics on Feb. 11, Samsung's share of the worldwide smartphone market was 30.4 percent in 2012, more than a two-fold increase from the previous year. In 2011, the Korean tech giant achieved a double digit market share (19.9 percent) for the first time. Last year, it captured 32.3 percent of the global smartphone market.

Samsung's good performance can be ascribed to its stellar sales numbers in emerging markets such as the Middle East, Africa, Latin America, and Eastern Europe.

The tech company accounted for 62.6 percent of the Middle Eastern and African markets in 2013, a 19.6 percent


year-on-year gain. Its share in the Eastern European market climbed 4.7 percent year-on-year to reach 45.2 percent last year, while the 2013 figure for Latin America was 37.9 percent, up 2.6 percent from a year ago.

Samsung's performance in developed markets was also remarkable last year. It posted more than 40 percent market share in Europe (41.2 percent in Western Europe, 45.2 percent in Eastern Europe) for the second straight year, whereas the company made up 31.6 percent of the North American market, a year-on-year increase of 5 percent.

The research firm said, "Samsung is the definite leader of the global smartphone industry as the world's largest

smartphone maker."

In contrast, Apple's share of the smartphone market started to fall in 2011, and the US firm represented only 15.5 percent of the total in 2013. It lagged far behind the Korean handset maker in the global market, excluding the North American market (36.3 percent).

In particular, there is a big gap between the two mobile phone manufacturers in emerging markets, which are considered to be future growth markets. Apple recorded 9.2 percent market share in Middle East and Africa, and 9.5 percent market share in Latin America, which is lower than that of LG (14.1 percent). 



Mobile OS Monopoly**Korea Concerned about Serious Dependence on Google's Android**

The market share of Google's mobile operating system (OS) in Korea is reportedly higher than in any other country. The industry points out that it is necessary to be wary of the monopoly of the search giant's mobile OS, as in the case of the domination of Microsoft's Windows OS for PCs.

According to market research firms such as Net Applications and iCrossing on March 10, the share of Android in the local mobile OS market exceeds 90 percent, 20 to 50 percent higher than other countries.

Google's mobile OS makes up around 40 percent in the US, which is a stronghold of Apple's iOS, while it accounts for 45 percent in Japan, 43.9 percent in the UK, and 29.7 percent in Australia.

The market share of Android is 72.1 percent in China, which is known for its heavy reliance on Google's OS, and 54.4 percent in Germany. Korea, on the other hand, is the only country where

Android's share in the local mobile OS market surpasses 90 percent.

Industry analysts are saying that Android's market dominance in the nation is attributable to the fact that local handset makers such as Samsung Electronics, LG Electronics, and Pantech mostly sell Android phones.

An industry source remarked, "When iPhones were introduced at first, Apple's iOS comprised more than 30 percent in the nation. However, since 2012, the market share of Google's OS has risen steadily to reach 90 percent." The source added, "In the past two years, local mobile app developers have switched from iOS to Android."

Experts are saying that it is unavoidable that Google's mobile platform increases its share in the local market, given that Google's OS continues to grow in the worldwide mobile OS market. Nevertheless, they are worried about Android's domination. In particular, many in the industry are saying that the

nation should introduce its own policy to develop a state-approved alternative to reduce its serious

dependence on Android, based on prior experience in the PC market.

A source in the software industry observed, "Korea is not alone in Android's domination. China is in the same boat. So, the Chinese government is leading the effort to prepare for its own mobile OS." The source added, "It is necessary to come up with a measure to lessen our country's heavy reliance on Google's mobile OS by increasing the efficiency of other OSs and promoting proper balance between Android and other mobile platforms."

In fact, China already unveiled its own mobile OS, dubbed China Operating System (COS), last January, after years of government-sponsored research and development efforts to secure its own competitiveness in the mobile OS market dominated by Google's Android and Apple's iOS. COS is based on Linux and serves as an operating platform for PCs, smartphones, tablets, and set-top boxes. Chinese smartphone manufacturers, including Taiwanese smartphone maker HTC are going to release smartphones and tablets with a built-in COS. 

Susceptibility to Malignant Code**Google's Android Platform, #1 Mobile Malware Target in 2013**


Malicious code is reportedly infecting Android devices at a rapid speed.

On April 4, US-based network security company Fortinet announced the findings of its report about last year's malware trends. The majority of exponentially-increasing mobile malware was found on the Android platform.

According to the report, 2013 was the year of mobile malware. In particular, 96.5 percent of all mobile malware tracked in 2013 was Android based. Symbian, which is Nokia OS, is a distant second at 3.45 percent, while iOS, BlackBerry, PalmOS, and Windows together represent 0.05 percent. Hence, non-Android platforms were much less vulnerable than Android OS.

A piece of malicious code called NewyearL.B was the prime example of Android malware, which infected millions of Android devices last year by hiding inside flashlight apps.

"The rapid growth of malware targeting Android continues to be of concern to system administrators who have implemented a mobile device strategy on their networks," explained Axelle Apvrille, senior mobile anti-virus researcher with Fortinet's FortiGuard Labs. He added, "FortiGuard Labs detected over 1,800 new distinct families of viruses in the past year, and the majority of those are targeting Google's Android platform."

He concluded by saying, "Looking at the growth of Android malware, we can see that there is much to be concerned about in 2014. The growth shows no signs of slowing; in fact, the growth seems to be accelerating. As more Android-based devices are purchased and taken online, the opportunities for attackers to infect increases as well." 

Lobbying Expenditures

Samsung, Apple both Boosted Spending on Lobbyists Last Year

Samsung Electronics and Apple, which are waging a patent war over smartphones and tablet PCs, reportedly intensified their lobbying activities to influence the US Federal government in 2013.

The Center for Responsive Politics, a Washington group that tracks lobbying, reported on March 8 (local time) that Samsung Group spent US\$1.22 million (about 1.295 billion won) on lobbyists last year through Samsung Electronics America and local law firm Akin Gump Strauss Hauer & Feld.

The 2013 figure is a 38.6 percent year-on-year gain, and the highest-ever amount spent in one year, exceeding US\$1 million for the first time.

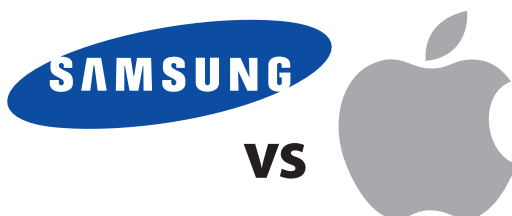
According to a report submitted by Samsung Group to US authorities last year, the Korean conglomerate spent a significant amount of its lobbying money on intellectual property infringement and patent lawsuits, which were presumably related to a court battle with Apple.

The group lobbied the House of Representatives most heavily with eight cases, followed by the Senate (7 cases) and the US Department of Education (6), the International Trade Administration (3), and the Department of Commerce (3 cases).

Samsung is also said to have spent another US\$10,000 for lobbying last year through its electronics arm.

Apple, on the other hand, reportedly spent US\$3.37 million on lobbying in Washington DC in 2013, up 71.1 percent from a year ago. The number exceeded the prior record level, which placed the company in the 10th position among US computer and Internet firms.

Samsung's arch-rival also reportedly tried to exert its influence primarily on



patent-related bills, such as the Patent Abuse Reduction Act, by mainly targeting the House of Representatives (24 cases) and the Senate (23 cases).

Meanwhile, Google topped the list of lobbying spenders among US computer and Internet firms, with US\$14.06 million. However, last year's figure is a US\$3.6 million decrease from 2012. Microsoft occupied the runner-up position with US\$14.9 million, followed by Oracle with US\$7.19 million, Hewlett-Packard (US\$6.92 million), Facebook (US\$6.43 million), IBM (US\$5.95 million), the Entertainment Software Association (US\$5.21 million), Intel (US\$4.39 million), Amazon (US\$3.46

million), and Apple (US\$3.37 million).

Siemens was the heaviest spender on lobbying among consumer electronics companies with US\$5.01 million, followed by the National Electrical Manufacturers Association (US\$2.53 million), TE Connectivity (US\$1.63 million), and Phillips (US\$1.61 million). Four of them spent more money on lobbying than Samsung.

A source in Washington DC observed, "The total lobbying expenditures in the US in 2013 equaled US\$3.21 billion. Given that last year's amount is a reduction of US\$100 million from 2012, we see that Samsung and Apple competed fiercely for lobbying." The source added, "Samsung Group is emerging as one of the top lobbying spenders in the US, where lobbying activities are considered to be lawful and pretty natural." ^{8K}

Apple's Request Dismissed

Apple Loses Lawsuit to Ban Sales of Samsung Devices in US

SEOUL, March 7 (Yonhap) – A US district court on Thursday (local time) dismissed Apple Inc.'s request to ban sales of rival Samsung Electronics Co.'s smart devices, a ruling viewed as more symbolic for the heated patent battle than business loss.

Judge Lucy Koh of the US District Court for Northern California rejected an attempt by Apple to prohibit sales of 23 smartphones and tablet PCs, such as

the Galaxy Tab 10.1, officials here and local reports said Friday.

The decision came nearly three years after Apple filed for the injunction in 2011, accusing Samsung of infringing three patents on touchscreen features.

"The court concludes that damages for the irreparable harm Apple alleges are difficult to quantify," Koh said in the ruling, adding that the US tech giant failed to prove the three features drove

consumer demand for Samsung products.

Koh added that numerous other features of smart devices, such as battery life, MP3 player functionality, operating system, text messaging options, GPS and processor speed, were also “highly important” to consumers.

The ruling’s business impact on Samsung is negligible since the 23 devices named in the lawsuit are no longer being sold in the US. Industry officials say the ruling carries more weight as part of a bigger patent war underway among leading tech players trying to survive market saturation and competition from fast-rising rivals in China and elsewhere. The latest ruling would also serve as a precedent for similar lawsuits in the future, they say.


Samsung welcomed the court’s decision, while Apple gave no official comment.

Also ruling on a separate ongoing lawsuit, Koh affirmed the US\$929



million compensation Samsung was ordered to pay to Apple. This lawsuit is expected to drag out for some time, as any side that loses is certain to appeal.

The two parties are set to commence a second round of patent battle in the US, in which Apple claimed Samsung has infringed its patent with the Galaxy S3 and the Galaxy Tab 2.

Samsung is expected to remain the only significant threat to Apple as it launches renewed models of its Galaxy brand. Data by Strategy Analytics showed Samsung on a higher footing for the first quarter of 2014, estimating its global market share at 36.2 percent compared with 17 percent for Apple. 

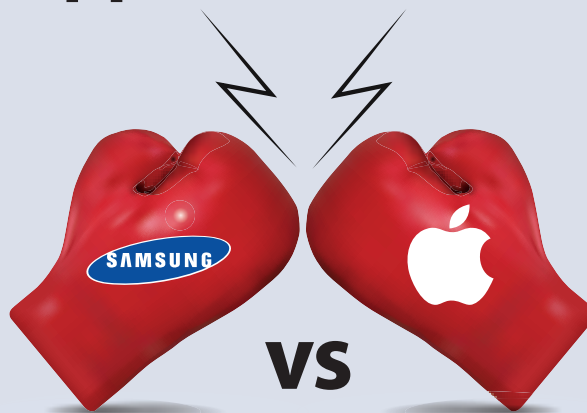
Spiteful Remarks

A German Blogger Writes “Has Apple Lost Its Mind?”

According to the public transcript of a January 23 hearing revealed through German-based blog FOSS Patents on March 11 (local time), Apple is going to demand that Samsung Electronics pay US\$40 per device for five software patents in a second patent infringement lawsuit.

A damages expert will argue on Apple’s behalf that Samsung infringed on five patents, and thus should pay US\$40 per device in royalties.


Florian Mueller, blogger of FOSS



Patents that covers patent news, said, “Apple’s damages theory for the trial that will begin in less than three weeks (on March 31) is an objective insanity.”

Five patents in question are related to the phone number tapping feature, unified search, data synchronization, slide-to-unlock, and autocomplete.

Meanwhile, the Korean tech giant is expected to counter that its arch-rival infringed two patents relating to recording and playback of digital images and voices, and a remote-control video transmission system.

A second patent infringement lawsuit will be held on March 31, starting with a jury selection procedure. 

Global Mobile Messenger War

Facebook's Takeover of WhatsApp Threatens Line, Kakao Talk



The acquisition of messaging company WhatsApp by Facebook is expected to bring about an upheaval in the worldwide mobile messaging market dominated by WhatsApp, Line, and WeChat. Experts are saying that the takeover is part of the social networking giant's strategy to dominate the global mobile platform market by grabbing the international messaging market.

According to major overseas media outlets on Feb. 20 (local time), the social media giant is going to buy WhatsApp for US\$16 billion (17 trillion won). The number is the highest-ever M&A deal between Internet application providers, a sixteen-fold increase from the 2012 figure for Facebook's purchase of social networking service Instagram.

There was widespread speculation that a large-scale M&A deal was going

to be made, in that global IT companies such as Google reportedly sounded out WhatsApp's interest in selling them all or parts of itself. Moreover, the messaging company's profit model, that provides its service at US\$0.99 per year, has already proven to be effective. In particular, the combined market share of Facebook Messenger, which has a large number of users in the US, and WhatsApp subscribers can overwhelm that of WeChat or Line. Thus, Facebook's move is causing alarm among major messaging companies.

Currently, WeChat is the top-ranked mobile messenger application with 600 million subscribers, followed by WhatsApp (450 million people), Line (350 million), and Kakao Talk (140 million).

Following its success in the US and European markets, Facebook is likely to grow fast in Asia as well, where the mobile messaging market is particularly strong, by absorbing WhatsApp subscribers. As a result, Line and WeChat are in a precarious position; they might lose their stronghold in the Asian market. The M&A deal is also a setback for Kakao Talk, which previously sought to enter the Southeast Asian market of Indonesia and the Philippines, after successfully dominating the Korean mobile messaging market.

The deal between Facebook and WhatsApp came on the heels of the

recent purchase of messaging platform and app-maker Viber by Japanese online retailer Rakuten. Therefore, competition between global mobile messengers for market dominance is expected to be much more heated up.

An official at Korea's top portal operator Naver said, "The acquisition of WhatsApp by Facebook is a case that confirms the importance of mobile messengers in the mobile market." It means that the power of mobile messengers is strong, as shown by Kakao's ability to grow as a platform operator in Korea through various profit models, including games based in Kakao Talk.

Facebook is projected to independently run the soon-to-be-merged company and maintain the current messaging service method for the time being. However, the US firm's influence is likely to grow after sharing subscribers with WhatsApp and featuring new profit models for its messaging app in the future.

Hence, growing competition with global companies is a big burden for local mobile messenger service providers. In fact, as the news of Facebook's buyout was reported, the stock price of Naver, the company behind messaging app LINE, decreased by 8.13 percent in the stock market on Feb. 20. 📉



The Samsung Galaxy S5.



Mixed Response to Galaxy S5

Why Was Galaxy S5 Unveiled Earlier than Expected?

Samsung's next-gen flagship phone has been criticized in the industry after it was showcased in Feb. The speculation surrounding the reason behind the early launch of the Galaxy S5 at this year's Mobile World Congress (MWC) has not subsided, in tandem with market's cold response to the new model's technological innovations.

According to industry sources on March 6, the Galaxy S5, which was unveiled during the "Samsung Unpacked 2014 Episode 1" event at the Barcelona International Convention Centre on Feb. 24 (local time), has met with a mixed response at home and abroad. Critics point out that its specifications do not live up to market expectations.

In an article titled, "The Samsung Galaxy S5 Is Missing 5 Big Things" posted on its website, US-based business magazine Forbes said, "Rumors of a Galaxy S5 with a metal unibody were among the earliest gossip about the new Samsung phone, but so far it hasn't come true." Influential media outlets such as CNN, Bloomberg, and Financial Times remarked, "The Galaxy S5 barely kept up appearances of the Galaxy S series," or, "There was no destructive innovation in it."

Meanwhile, Samsung Mobile Business head Shin Jong-kyun commented, "The Galaxy S5 is the one that fulfills its intended function as a smartphone." In effect, its heart rate sensor, waterproof and dustproof functions, and technology of supporting for different LTE methods in the world got good reviews.

The controversy surrounding the Galaxy S5 was anticipated prior to its release, though. Unconfirmed specifications reported by IT news sites prior to the showcasing of the new model contributed to intensifying market expectations. The new

version was rumored to have a metal body, a QHD display, and a 20-megapixel camera. In addition, it was falsely reported that eye scanning iris recognition will possibly be included. However, the S5's specs turned out to be not much different from those of its predecessors, except for a 16 megapixel camera.

As a result, various speculations surrounding the main reason behind Samsung's decision to reveal its new flagship device at this year's MWC have circulated widely. In particular, many in the industry pointed out that it was unusual for the Korean tech giant to rush out of London and New York to go to MWC 2014, after launching an aggressive marketing campaign for the Galaxy S3 and S4 during its special Unpacked events in those cities. On top of that, it became inevitable for the firm to wait before the Galaxy S5 is officially introduced in the global market on April 11, owing to its early release.

A Samsung executive said, "There are perhaps many reasons behind our decision to reveal the Galaxy S5 at this year's MWC, but it was mainly aimed at countering Apple's iPhone 5S." The official added, "I heard that it was necessary for our company to unveil the new version ahead of schedule, since the iPhone 5S got a better-than-expected response in Europe, which is the Galaxy S series' stronghold."

A source in the mobile phone industry remarked, "Actually, there is a general consensus among Samsung employees about a lack of product innovation, even before the Galaxy S5 was revealed." The source concluded by saying, "To the best of my knowledge, Samsung decided to showcase the new model at MWC 2014, rather than through a separate Unpacked event, because it was much easier to divert attention away from the innovation problem." ■

Auto Industry in February

Korea's Auto Sales Increase 5.8% in February

Automobiles bound for overseas markets are waiting for shipment at the international auto pier of Pyeongtaek-Dangjin Port. 4 March 2014



Local car manufacturers' sales in February turned out to be for the better, but GM Korea slowed due to drastic drop in exports, in spite its good local sales.

According to industry sources on March 3, the combined sales of five local automakers reached 689,100 vehicles in February, up 5.8% from 651,248 units a year ago, due to more working days and a rise in demand for newly-released car models.

During the same period, domestic sales rose 8.3 percent to 107,004 units, while overseas sales, which count both exports and cars made in foreign countries by local carmakers, were up 5.4 percent to 582,096 units.

The three local automakers Hyundai Motor, Kia Motors, and Ssangyong Motor (the local unit of Indian sport utility vehicle maker Mahindra & Mahindra) all fared well in terms of sales compared to the year before.

On the other hand, GM Korea, the local unit of General Motors of the United States, and Renault Samsung Motor, the Korean division of French automaker Renault SA, sold less cars than the year before.

Hyundai Motor

Korea's No. 1 automaker Hyundai Motor said that its February sales rose 3.4 percent from a year earlier.

The company said that it sold 378,844 cars last month, with domestic sales rising 8.2 percent to reach 51,380. Overseas shipments gained 2.7 percent to 327,464 cars. On the domestic front, sales of the premium brand new Genesis sedan reached 4,164 units, or a four-fold gain from the year before.

It added its Grandeur full-sized sedan was its best-selling car last month, with 7,496 units being sold, including the

hybrid variant. In the sport utility vehicle sector, sales of the popular Sante Fe hit 6,102 units.

Hyundai Motor said that this year's market conditions will be tough, with demand expected to grow only at a sluggish pace this year, coupled with stiffer competition. It added that every effort will be made to build up the company's global competitiveness to cope with a myriad of challenges.

Besides the Genesis, the company is expected to launch its new Sonata mid-size sedan next month in the home market, with overseas sales to start in the second half.

Kia Motors

Kia Motors, Korea's second-largest auto brand, said that its sales surged 18.2 percent in February from a year ago. The carmaker said it sold a total of 242,799 units overall last month, up from 205,341 vehicles tallied a year earlier. Of all cars sold, sales in the local market jumped 6.4 percent from a year ago to 35,000 units, while overseas sales stood at 207,799, a 20.5 percent increase from February 2013.

"More working days to make cars and greater overseas sales of vehicles made in South Korea that rose by 34 percent played a role in higher numbers," the carmaker said. It added that sales of cars made by its overseas assembly lines also rose 9.2 percent.

Compared to January, when its sales amounted to 257,399 units, numbers were down 5.7 percent. The decrease was caused by a drop in cars made in China that enjoyed more days off during the Lunar New Year holidays. Kia said sales of such cars as the mini Ray and K9 premium sedan rose by double digits, with sales of its sub-compact Pride and K5 mid-size



Hyundai's new Genesis sedan.



Kia's 2014 flagship K9 sedan.

sedan doing well compared to the year before. For the first two months of this year, Kia's sales were up 7.3 percent from the same period of last year to 500,198 units, with overseas sales gaining 8.6 percent to 431,198 vehicles sold and domestic sales hitting 69,000, for a dip of 0.2 percent.

GM Korea



The 2014 Chevrolet Cruze.

GM Korea said that its sales for February plunged 18 percent from a year earlier, due mainly to weak overseas demand. Korea's third-largest carmaker sold a total of 48,007 vehicles last month, down from 58,574 units sold for the same month of 2013.

Its domestic sales moved up 3.3 percent from a year ago to 10,301 units on the back of demand for steady-selling models such as the Aveo subcompact, Cruze compact, and Malibu mid-size sedan. The company said sales marked the highest numbers reached for the month of February since 2004, a good sign for the New Year. Overseas shipments, however, fell 22.4 percent to 37,706 vehicles. The drop is attributable to the GM plan to scale back the market presence of its Chevrolet-badged vehicles in Europe, a step likely to hurt its Korean subsidiary that is a major producer of Chevrolet cars. The latest data showed the carmaker's Chevrolet Spark supermini remained by far its best-selling model, with 4,745 units sold in February.

Ssangyong Motor

Ssangyong Motor said that its sales soared 19.4 percent in February from a year ago, on the strength of consumer demand for its popular Korando family of rugged off-road capable vehicles.

The carmaker's total sales hit 11,805 units last month compared with 9,884 vehicles sold a year earlier. Domestic sales reached 5,502 units, a 26.9 percent increase from the same month in 2013. Exports, including knockdown kits, were tallied at 6,303 vehicles, a 13.6 percent increase from figures released for the second month of last year.

The company said, "Sales were bolstered by demand for the Korando family brand of sport utility vehicles as well as the larger Rexton vehicles." It added that sales of the new Korando C, Korando Sports, and Rexton all contributed to good monthly figures.



The Mahindra Ssangyong Korando C.

For the outbound shipment, steady demand from Russia and Latin American countries helped shipments to rise. The company, the fourth-largest car manufacturer in South Korea, said it expects to sell some 91,000 cars abroad this year, up 11.4 percent from 81,679 vehicles shipped out in 2013. If sales grow in 2014, it will mark the fifth year in a row for Ssangyong to make more cars on an annual basis.

Renault Samsung Motors

The sales by Renault Samsung Motors, the smallest carmaker, dropped 33.5 percent in February from a year earlier as exports fell sharply. The country's smallest car manufacturer by sales said it sold a total of 7,717 vehicles in February, compared with 11,611 units tallied in the same month of 2013. Its domestic sales rose 16.7 percent from a year ago to 4,821 units, with overseas sales hitting 2,896 vehicles for a loss of 61.3 percent.

The carmaker said sales compared to the month before rose 15.2 percent despite weak year-on-year numbers. It said domestic sales were up 7.1 percent from the previous month with exports surging 31.8 percent. The carmaker said last month's numbers compared to January reflected better consumer perception for its car models. Sales of the SM3 increased 46.7 percent from a year earlier, while comparative numbers for the QM5 crossover utility vehicles (CUV) surged 234 percent to 972 units from February of last year when the company sold 291 vehicles. The carmaker said the popularity of such models as the QM5 Neo played a role in domestic market sales. It also said steady demand for the small-size QM3 CUV will push up domestic sales numbers in the future. ^{BK}



The Renault Samsung SM3.

Feb Import Car Sales

Korea's Imported Car Sales Jump up 31.2% from a Year Ago



The BMW 5 Series was quite popular in Korea in January 2014.

Imported car sales in Korea jumped over 30 percent in February from a year ago, reconfirming its explosive growth. But it fell over 6 percent compared with the month before.

According to the Korea Automobile Importers and Distributors Association (KAIDA) on March 6, a total of 13,852 new foreign-made cars were newly registered, up 31.2% from 10,556 units in the same month of last year.

KAIDA said the year-on-year gain comes after annual foreign car sales hit a record high of 156,497 units in July of 2013, showing over a 30 percent year-on-year gain. The latest month sales, however, fell 6.7 percent compared with January, when 14,849 foreign cars were sold in the local market. This result came from fewer working days, supply issues of some models, and slower promotion in the month. The accumulated sales from January to February reached 28,701 units, up 25.3 percent from the same period of last year.

The drop in sales compared with January is in contrast to slight gains posted by five local carmakers, such as Hyundai Motor and its sister company Kia Motors. Sales of locally-made cars edged up 0.6 percent in February from the month before, to 107,004 units. This is also an 8.3 percent increase from the year before.

Market share by imported cars stood at 12.9 percent for last month, down one percentage point from January.

In particular, local consumers' preference for diesel cars and German models is exacerbating. The weight of diesel cars among the imported vehicles was 69.8 percent, up around 10 percent from a year earlier.

The weight of German cars was 74 percent in February, around 8 percent from a year ago. Recently, the Korean import car market was actually dominated by the best selling models such as BMW, Mercedes-Benz, Volkswagen, and Audi, which is quite different from the past when the local consumers showed a variety of tastes for American or Japanese brands crowned as best-selling cars.


Among imported cars, German luxury brands BMW, Mercedes-Benz, and Audi ranked in the top three in terms of sales, followed by Volkswagen and Ford. Japanese carmakers such as Toyota and Nissan came in sixth and seventh, respectively, with Honda ranking #10, KAIDA said.

BMW sold 3,154 vehicles overall, with sales of Mercedes-Benz and Audi reaching 2,641 and 2,187 units, respectively. Volkswagen sold 2,104 cars, with numbers for Ford reaching

558 units.

European cars accounted for 82.2 percent of total sales last month, followed by 11.4 percent by Japanese cars and 6.4 percent by U.S. brands.

By engine size, 53.6 percent of all foreign cars bought by local consumers were smaller than 2,000 cubic centimeters (cc), with those ranging between 2,000cc and 3,000cc making up 32.7 percent of the total.

The association added that the best-selling foreign car last month was the diesel-powered BMW 520d with 702 units sold, followed by Volkswagen's Golf 2.0 TDI with 622 vehicles. 


Import Car Repair Cost

Imposing Huge Burden after Expiration of Warranty

Last year, more than 130,000 imported cars were sold in Korea exceeding 12 percent of market share. Repair cost problems are coming to the surface under the circumstances.

For many imported car owners, the end of the third year after purchase is the point in time when they should decide whether to keep or sell their cars. This is because the balance they have to pay surges for many of them from that point of time, along with the repair costs with the warranty period being expired.

According to the Korea Insurance Development Institute's data made available on February 18, the repair costs for imported cars were up to eight times more expensive than those for domestic ones in the same price ranges. This can be attributed to the higher costs of the auto parts and the smaller inventory of the parts in Korea. Imported car drivers have to pay greater working expenses and wait longer to have their cars repaired, too.

Another problem is the smaller number of repair shops. According to the Korea Consumer Agency, BMW and Mercedes-Benz handled over 3,000 cars in each of their repair centers last year. The number topped 2,000 for Volkswagen, Honda, Audi and Lexus during the same period. 



Kia's Electric Vehicle

"Soul EV" Unveiled with Ultra Power-saving Tech



Kia car models introduce the "Soul EV" at Rolling Hills Hotel in Hwasung City, Gyeonggi Province on March 11, which will be launched in the local market in April.

Soul EV, the first commercial electric vehicle of Kia Motors, has been introduced in the local market. Kia Motors first unveiled the car at the Chicago Auto Show in early February.

The company said on March 11 that the electric vehicle can travel 148 km on a full charge, claiming the tests conducted in-house showed the car achieving combined highway and city driving of 235 kilometers, which is best in the class and even slightly better than the latest Nissan Leaf vehicles tested by Kia.

The Soul EV, powered by an 81.4 kilowatt electric motor equipped with a 27 kilowatt hour high-density lithium-ion polymer battery, can push the compact car from zero to 100 kilometers per hour in 11.2 seconds, with a top speed of 145 kilometers per hour. The drive system has been rated at 111 horsepower

with 29 kilogram-meters (kg-ms) of torque, with a fuel economy of 150 watt-hours per kilometer reached.

Some highlighted features of the Soul EV include state-of-the-art heat pump systems that can generate heating for passengers in an energy-efficient manner, next-generation regenerative braking that creates power if the driver removes his foot from the accelerator, and individual heating and air conditioning that can save power.

Kia said its first global EV is packed with the latest energy-saving features and has a class-leading warranty for all key parts that will lessen any anxieties of first time buyers of an electric-powered vehicle.

Regarding the car's warranty, Kia said that it will give 10 years and 160,000 kilometers for all critical parts




of the Soul EV. The warranty is also known to be the industry best through testing the battery durability for up to 300,000 kilometers.

Regarding the technological aspect, the company argued that all key components of the Soul EV have been made in-house, giving the company a global competitiveness in the building of eco-friendly cars down the road.

For the navigation system, it has been specially designed to help drivers find recharging stations, and offers real feedback on energy used and distance the car can travel with the remaining power. Further, the car's UVO infotainment system can allow drivers to pre-set the recharge time and remotely check the condition of the car via a smartphone.

The company, which runs the 1,900 recharging stations already in service, said that it plans to set up 61 additional stations across the country this year, which will increase up to 2,103 stations by the end of the year, if new charging stations are set up by the government.

The sales price of the Soul EV will be around 42 million won (US\$39,400) with full-fledged sales starting in April. Kia Motors said that while the sales price is similar to those of much larger premium cars, local consumers will actually be paying about 20 million won due to subsidies provided by the environment ministry and local governments.

The company hopes to sell some 500 Soul EVs this year, and up to 900 units in 2015. 

Losing Growth Momentum

Renault Samsung Motors Hasn't Produced A New Model in 7 Years



The Busan, Korea plant of Renault Samsung Motors.

Renault Samsung Motors will release no new automobile models this year. Experts are saying that its goal to regain 10 percent local market share may be a tall order due to this absence. The automaker's local market share topped 10% back in 2010, but has dropped since then, despite the efforts of Renault Samsung and the Renault Group in France to recoup the mark.

At present, its manufacturing plant in Busan City is subsisting upon consignment production for the Renault Group. Capacity utilization has dropped significantly, and the employees are lamenting that they are working for a subcontractor. Still, Renault Samsung has come up with no plan for a new car, which is the most fundamental solution to the adverse situation as of late.

Renault Samsung released the SM7, its latest fully changed model, 10 full years ago, although it has face-lifted the SM3, SM5, and SM7 since then. The QM3, 1,000 units of which were sold out in just seven minutes of a pre-sale in December, is a new entry to its lineup, but is actually an imported car which has already been on the European market. The absence of momentum and the


rapid growth of non-Korean carmakers in Korea have severely affected its market year after year. The percentage reached 10.6 in 2010, but went down to 7.6 in 2011, 4.2 the next year, and slightly over 4 in 2013.

Its factory utilization rate has been on a downward spiral, too. The Busan plant of Renault Samsung is capable of manufacturing 200,000 vehicles each year on a double shift basis, but it produced just 130,000 units in total last year. The company is planning to supply 70,000 to 80,000 units of the Nissan Rogue from there, though, to minimize its idle facilities from the second half of this year. In addition, it will manufacture mid-size sedans jointly developed by

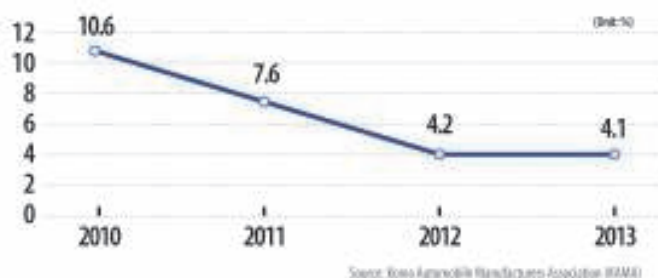
Renault Nissan and Mitsubishi starting next year. All of the Rogues produced there are supplied to overseas markets, and the Mitsubishi sedan is not sold in Korea, which means the ratio of its production for the local market will continue to fall.

"The consignment production evidences our advanced technological strength, in that there are a lot of production sites available at lower labor costs such as China," said a high-ranking executive at Renault Samsung, adding, "The consignment production is also helpful for those partner firms located in Korea, because the domestic development rate will reach approximately 80% by 2016 for the auto parts it uses." According to the company, local component manufacturers can record annual sales of about 600 billion won (US\$564 million) when the supply volume of the Rogue, 70% of the parts of which are domestically developed, is at around 80,000 units.

The company is anticipating that the QM3 will have a breakthrough amid the absence of new cars. Nevertheless, industry insiders are pretty skeptical about the impact of the QM3, because what matters more than the sales volume is to ensure the long-term capabilities for the continuation of self-development and R&D.

"We are working on the diesel version of the SM5 to release it in the latter half of this year, and will unveil a new mid-size sedan and a new SUV model in 2016," a company representative explained, continuing, "Our sales volume increased each month last year, and we are expecting that the momentum will be sustained in 2014, too." 

Recent Trend of Samsung Renault's Market Share



Necessary Action

Calling on Increase of Direct Investment in Ssangyong Motors by Mahindra

Ssangyong Motors revived with great success last year, when it set a new export record to become the only Korean automaker with a double-digit annual growth rate. All of the employees worked hard and the Mahindra Group, the largest shareholder, provided full support as well.

Still, controversy is ongoing that the Mahindra Group is just taking Ssangyong's technology without investment. The group is currently looking to manufacture a new vehicle in India by using the platform of the next small SUV of Ssangyong, which was developed by its own investment of hundreds of billions of won. Also, the local press is reporting that Mahindra and Ssangyong are working with each other for engine development.

Some experts point out that Ssangyong's advanced technology could be leaked to India. Although Mahindra pays technology licensing fees to Ssangyong, the controversy can be calmed only if the former makes a direct investment with a long-term perspective.

At present, Mahindra is planning to

release the S102 in India. It shares the platform of the X100 of the Korean automaker, which is slated to make its debut in early 2015. In short, the S102 and the X100 are identical vehicles with only some superficial differences in appearance. Mahindra's plan for the new model is based on its long-term R&D and platform sharing strategy announced in 2012.

At that time, the Indian group said that it will grow Ssangyong into a global SUV powerhouse by supplying three to four new cars. The thing is, it has invested nothing in the X100 project. It is going to manufacture the S102 just by adding a few changes to the X100.

The Mahindra group has made no investment in Ssangyong, excepting the 800 billion won (US\$750 million) in the paid-in capital increase last year and a payment of 522.5 billion won (US\$490 million) for the acquisition in 2011. Ssangyong has executed all of its investments since the takeover with its own financial resources. Mahindra has just given approval as the major shareholder.

"Mahindra is attempting to get a

free ride under the guise of platform and engine sharing," said a labor union member of the carmaker in his in-house brochure. The brochure added, "This situation reminds me of the painful experience associated with Shanghai Motors." Even though the two companies responded by mentioning the payment of technology transfer fees, the concerns have never been alleviated.

Under the circumstances, keen attention is being paid to the role of Mahindra during Ssangyong's penetration of the US car market. The latter is mulling over changing its corporate name and brand logo before its debut in the US, which means that the company is about to go through innovation of a seismic scale.

What is most needed during the preparation is a huge amount of capital. The new funds that are required to this end cannot be borne by Ssangyong alone. It has no new model to be released this year, either. "If the Mahindra Group is to become a global leader in the industry, it will have to make a direct investment in Ssangyong," said a Korean automotive engineering professor. ^{BK}

Demonstrators demand to stop Mahindra's attempt to get a free ride on Ssangyong Motors in March of last year.



US GLP Project**SK E&C Inks MOU for Natural Gas Liquefaction Plant in US**

An artists' rendition of the to-be-completed natural gas liquefaction plant near the banks of Lake Charles in Louisiana

SK Engineering and Construction Co. (SK E&C) said on Feb. 11 it reached a tentative deal to build a natural gas liquefaction plant in the United States, marking the first time for a South Korean company to enter the construction business sector in the US.

The memorandum of understanding (MOU) reached with Australia's Magnolia LNG calls for building a 3.4-million-ton capacity liquefaction plant on the banks of Lake Charles in Louisiana. Liquefaction plants handle pretreatment, natural gas liquid recovery, a liquefaction process and storage for the liquefied natural gas (LNG).

The project for the mid-size plant is estimated to be worth US\$1.57 billion, with work to start after SK E&C and Magnolia sign a formal agreement early next year. The two partners are expected to hold talks on the verification of basic Front-End Engineering Design (FEED) and calculating the cost for the engineering, procurement, and construction (EPC) part of the project.

The deal could be the start of South Korean companies entering the global liquefaction plant construction market that has been controlled by a handful of companies with critical source technology, such as APCI and ConocoPhillips Co., the builder said. **ENR**

Algeria Gas Project**Samsung Engineering Wins \$800M Algerian Gas Field Development Deal**

Samsung Engineering President Park Choong-heum (left) shakes hands with Sonatrach Chairman Abdelhamid Zerguine in the capital city of Algeria on Feb. 16 (local time).

Samsung Engineering won an 850 billion won (US\$800 million) contract to develop a gas field in Algeria.

The Korean builder unveiled on Feb. 17 that it signed a contract for the Timimoun Field Development Project on February 16 (local time) to build a central processing facility (CPF) and related pipelines for Timimoun field, located some 800 kilometers south of Algiers in the west-central part of Algeria.

The company said it will be responsible for completing the turnkey project by April 2017 from drawing up the plan, procurement, construction to conducting a trial run.

The CPF will produce 177 million standard cubic feet of gas per day.

Groupement Timimoun (GTIM), which placed the order, is a joint venture among Algeria's largest state-run oil company Sonatrach, France's oil giant Total, and CEPSA SAU of Spain. Sonatrach owns a 51 percent stake, followed by 37.75 percent for Total, and 11.25 percent for the Spanish oil company.

Samsung Engineering puts a great meaning in that it is able to strengthen cooperation with Sonatrach, which would ensure closer work with the largest shareholder of the joint venture and the largest company in Africa. The Korean builder expects the latest contract will permit greater cooperation with Sonatrach down the road and allow the company to make greater inroads in the African construction and engineering market.

In 2009, the company secured the US\$2.6 billion Skikda oil refinery project from the Algeria's state-run company. **ENR**

Coal Development in Mongolia**KOGAS Signs MOU with Mongolia on Coal Development**

From left, Dr. Yang Young-myung, executive vice president and COO of R&D Division of KOGAS, Erdenes Tavan Tolgoi's Vice President Tsevegjav, and Elgen LCC President Khurelbaatar pose for an MOU signing at KOGAS's R&D Institute on Feb. 24.

Korea Gas Corporation (KOGAS) signed a Memorandum of Understanding (MOU) with Mongolian state-owned company Erdenes Tavan Tolgoi and Mongolia's largest drilling company Elgen LCC to strength the construction of the Korean-Mongolian

research cooperation network. As a result, plant technologies aimed at rendering non-traditional energy sources into usable resources are expected to be further improved.

The deal was made to provide business support and forge a partnership between Korea and Mongolia as part of an improvement in resource-making technologies for the Tavantolgoi coal deposit, which is ranked as the world's largest undeveloped coal deposit.

The three companies will analyze coal-bed methane (CBM) and share production technologies and technologies for enhanced CBM recovery. In particular, KOGAS will be able to improve the level of its research and development of resource-making technologies using non-traditional energy sources.

The R&D division head said, "Resource-making technologies for coal deposits will be successfully developed with a newly-signed business partnership between the three companies."

Meanwhile, Mongolia's massive state-owned coal mine, the Tavan Tolgoi, is the largest among 15 coal mines in the country, where an estimated 6.8 billion tons of coal are buried. **BK**

Indonesian Railroad Project

Hyundai E&C Seeking Participation in \$1.6B Indonesian Railroad Project



The Argo Bromo Anggrek long-distance railway in Bahasa Indonesia, going from Jakarta to Surabaya. Indonesia already has a well-developed rail network. (Photo by Sakurai Midori via Wikimedia Commons)

Hyundai Engineering and Construction Co. (Hyundai E&C), one of South Korea's largest builders, said on Feb. 5 that it wants to take part in a US\$1.6 billion railroad project in Indonesia with a Russian partner.

The company said a memorandum of understanding was reached earlier in the week in Moscow with Russian builder RZDstroy for the construction project in East Kalimantan. The railroad will be built to carry coal from mines located in the center of the island to its eastern coast some 192 kilometers away.

PT Kereta Api Borneo, a local affiliate of RZDstroy, has already secured rights from the regional government for the railroad.

"The actual agreement on the construction itself is planned for 2015, after a year is spent on drawing up the blueprints," a company representative said. He added that details on the completion date will only be known next year.

The company also said the partnership with the Russian builder can open new opportunities for Hyundai to engage in similar work in Indonesia and in Russia, which are in the process of expanding its transportation infrastructure.

In Indonesia, Hyundai is presently engaged in four projects worth some \$900 million, including the Peusangan hydroelectric power station. **BK**

Power Plants in Algeria

Korean Builders Win Five Power Plant Construction Projects in Algeria

Samsung C&T, a Daewoo International consortium, and a GS Engineering & Construction consortium won five out of six total projects recently launched by Sonelgaz in Algeria for the construction of combined cycle power stations.

According to the project plans, the power plants will be built in the six regions of the country including Mostaganem by 2017 on a turn-key basis. The total construction costs amount to US\$4.2 billion. The other one of the six projects ended up in the hands of a Spanish builder at a contract worth US\$700 million.

Samsung C&T won two of them, which are to be set up in Mostaganem and Naama, to have a capacity of 1,450 MW and 1,163 MW, respectively. The company is going to invest US\$1.37 billion in the projects.

The Daewoo International consortium, in the meantime, builds 1,600 MW-capacity power stations in Jijel and Biskra. The members of the consortium – Daewoo International, Hyundai E&C, and Hyundai Engineering – clinched the deals at US\$1.4 billion. The GS E&C consortium, consisting of GS E&C and Daelim Industries, will work on a 1,300 MW-capacity power plant in Kais.

The skyline of Biskra, in the northeastern region of Algeria, in which a Daewoo International consortium will build turn-key power stations.



Korean construction companies obtained new international orders worth US\$16.6 billion from February 12, approaching their combined overseas sales target for this year at US\$72 billion at a rapid pace. The five companies including Daewoo E&C were chosen to build a clean fuel plant worth US\$7.1 billion in Kuwait on February 12 and, a week later, Hyundai E&C was awarded a US\$6 billion contract for an oil refinery plant in Iraq. **BK**

Shipbuilding Orders

Korean Shipbuilders Rank Top in New Orders for 2nd Straight Month

South Korean shipbuilders ranked top in the volume of new orders won for the second consecutive month in February, outdoing their Chinese rivals by more than double, industry data showed on March 5.

Global market researcher Clarkson Research Services said on March 5 that South Korean shipbuilding companies obtained orders totaling 1.39 million compensated gross tons (CGTs) in February, up 19.9 percent from 1.16 million CGTs a year ago.

The number is equal to 45.7 percent of the global ship orders of 3.04 million CGTs placed in the month, which was up 19.5 percent from a year earlier.

Chinese shipbuilders won orders reaching 589,975 CGTs, accounting for 19 percent of the total.

CGT, an indicator of the amount of work needed to build a



given ship, is used as a tool to compare inter-country shipbuilding output. It is the generally used measure for the volume of orders received.

In the first two months, cumulative orders of local shipbuilders reached 3.13 million CGTs, 34.7 percent more than the 2.32 million CGTs of Chinese shipbuilders.

Market watchers said South Korean shipbuilders benefited from their technical superiority over their rivals in building liquefied petroleum gas (LPG) carriers, as the shale gas industry boom has created demand for such transport vessels.

The recent brisk development of shale gas in the United States has particularly increased demand for LPG carriers, orders for which have been won by South Korean builders, they said. **EN**

Shipbuilding Competition

Korean Shipbuilders Beat Chinese Rivals in January Orders

South Korean shipbuilders ranked first in January in the volume of orders won, beating their Chinese rivals, industry data showed on Feb. 7.

According to the data compiled by market researcher Clarkson Research Services, South Korean shipyards won orders totaling 1.68 million compensated gross tons (CGTs) in January, more than doubling from 779,356 CGTs a year ago.

The figure accounts for 45.4 percent of overall global vessel orders of 3.7 million CGTs placed in the month, which was down 9.4 percent from a year ago.

Chinese shipbuilders won orders amounting to 1.25 million CGTs, taking up 34 percent of the total.

In terms of the number of vessels, South Korean shipbuilders obtained orders for 52 vessels, behind 60 ships for Chinese

shipbuilders.

CGT, an indicator of the amount of work needed to build a given ship, is used as a tool to compare inter-country shipbuilding output. It is the generally used to measure the volume of orders received.

Higher CGT means that South Korean shipbuilders won more orders for large-scale vessels, which are more difficult and complicated to produce, industry watchers said.

In step with the promising start, key local shipbuilders – Hyundai Heavy Industries, Samsung Heavy Industries Co. and Daewoo Shipbuilding & Marine Engineering – raised their orders target for this year by up to 15 percent compared with last year. **EN**

Singaporean Threat

Singaporean Shipbuilders Zeroing in on Deep-sea Drill Ship Market

Korean shipbuilders, which are dominating the global drill ship market, are on alert, as their Singaporean counterparts are increasing their presence in the industry, building on their competitive edge in jack-up rigs and deep-sea drill ship manufacturing.


A jack-up rig is a drilling apparatus used in a body of water with a depth of 100m or so. Semi-submersible drilling rigs and drill ships are employed in the deeper sea. Singaporean companies have distinguished themselves in supplying small-scale jack-up rigs, but things are changing nowadays.

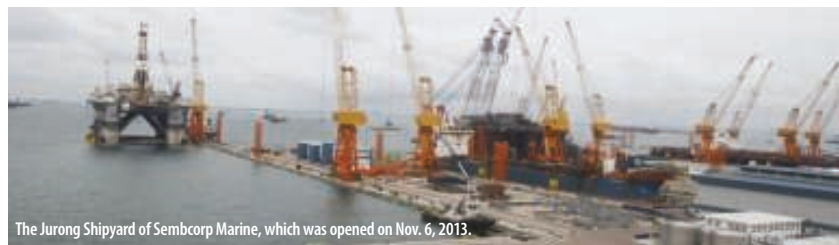
According to industry sources, Jurong Shipyard of Sembcorp Marine has recently won two deep-sea drill ship contracts from Swiss shipper Transocean. Each of the contracts is known

to be worth approximately US\$540 million.

These days, Singaporean shipbuilders are striving to overtake Korean companies by obtaining more and more deep-sea drill ship deals. "Chinese companies are currently concentrating on small-scale jack-up rigs to take Singaporean firms' market share and, in response, Singaporean players are knocking on the door of the deep-sea drill ship market," said an industry insider,

continuing, "They are even engaged in speculative shipbuilding, that is, building a ship with no shipper fixed, for shipbuilding records." This implies that they are very eager to set foot in the market.

Korean shipbuilders are coping with the situation by means of large-scale jack-up rigs. For instance, Samsung Heavy Industries entered the large-scale jack-up rig market in June last year, when it won two contracts from Statoil of Norway for the rigs to be used in the North Sea. Daewoo Shipbuilding & Marine Engineering (DSME) also obtained a US\$530 million deal for one jack-up rig set, which is to be employed in the same region, from Maersk Drilling of Denmark in September 2013. This is the first jack-up rig contract in three decades for DSME. The company had won two contracts for small-scale rigs in the early 1980s. 



The Jurong Shipyard of Sembcorp Marine, which was opened on Nov. 6, 2013.

LNG-FSRU

Major Korean Shipbuilders Going for LNG-FSRU in Earnest



The world's first LNG floating storage and re-gasification unit ship, built by Hyundai Heavy Industries and christened Independence by Lithuanian President Dalia Grybauskait.


Korean shipbuilders are striving to win more contracts for LNG floating storage and regasification units (LNG-

FSRU). This type of marine vessel can be built only by the three major Korean shipbuilders for now and they are expected to monopolize new deals across the world for a while.

According to industry sources, global oil company Shell is planning to place an order for a 170,000 m³-capacity LNG-FSRU for energy supply in the Philippines. "It is likely that the contractor will be selected through just one round of bidding, allowing for the demand from the client," said an indus-

try insider. The three largest Korean shipbuilders already submitted their proposals for the purpose in January. The unit is scheduled to be delivered in 2017.

At present, it is Hyundai Heavy Industries that is considered to have the most advanced technological strength in this field. The company succeeded in building the world's first LNG-FSRU last month. In the meantime, Samsung Heavy Industries obtained a deal from BW, a global leading shipping group, in December last year in addition to another one won in January 2013. Daewoo Shipbuilding & Marine Engineering clinched the world's biggest LNG-FSRU deal last year, too.

"LNG-FSRU will be a new growth driver for the shipbuilding industry of Korea," said an industry expert, adding, "The competition is sure to heat up, since only the Korean companies have the ability to build the units." 

Fast and Furious

Largest and Hottest US Auto Rave Comes to Korea

Automotive Week 2014, Korea's biggest trade show specializing in automobile aftermarket products, will introduce a new paradigm of automobile trade show through hosting of the Kar Model Show (KMS) 2014.

Automotive Week 2014, which has sought to expand the infrastructure of the automobile industry through aftermarket products, has decided to introduce an automobile lifestyle show for true car aficionados by co-hosting KMS 2014.

KMS is being held for the first time in Korea between March 28 and 30 in KINTEX's Hall 2 during Automotive Week 2014. KMS 2014's main partner and the first event of the show is the world-famous Hot Import Nights (HIN), the biggest import car trade show in the US. KMS will then introduce more events from the US, with a sneak peak at some of the biggest automobile lifestyle shows.

The KMS show is intriguing in that it focuses on the key words of a new culture of auto enthusiasts, with lots of eye candy, such as a model contest sponsored by KMS and HIN, a DJ Club party, rave festivals to attract auto aficionados and introduce them to a new automobile lifestyle and entertainment à la the movie Fast and the Furious.

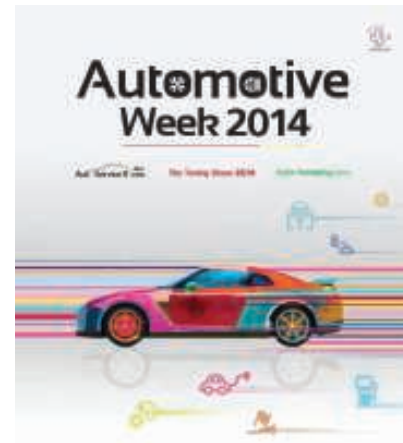
The model selection show is bound to be a highlight for male enthusiasts, as it will select the first KMS and HIN model from Korea, with the model to be later invited to the HIN show in the US. HIN models are quite well-known in the US in trade shows and print media. As such, a Korean model's representation in the HIN shows will bode well, especially with the rising popularity of Hallyu in the US. In addition, it will accentuate Korea's automobile manufacturers, giving them added promotional value.

KMS is put together by an event




Hot Import Nights Penang in 2012 featured all of the good things in life. Photo by Vernon Chan via flickr).

marketing group based in Los Angeles, which includes SK Marketing and S&P AMG. It has been brought to Korea by KINTEX, which oversees Automotive



Week 2014.

Other shows in KINTEX's Automotive Week 2014 include the Tuning Show, Auto Service Korea, and Auto Camping. 

ITU Plenipotentiary Conference

Preparatory Committee Kick-off Meeting Sparks Close Cooperation



Organizations and businesses will gather in Busan City in October this year to prepare for the successful hosting of the International Telecommunications Union (ITU) Plenipotentiary Conference.


According to the Ministry of Science, ICT and Future Planning, 15 ICT-related bodies including the Electronics and Telecommunications Research Institute and the Korea Information Society Development Institute decided to form a preparatory committee and held a kick-off event last month.

This preparation committee is different from the government-directed preparation committee consisting of fifteen government departments. It is made up of both public and private organizations to plan product exhibitions and technology to be showcased in a special event to be held together with the ITU Pleni-

potentiary Conference.

The plenipotentiary meeting is a closed meeting among governments, but the special event was open to the public. The idea was to foster the fruition of economic and social benefits stemming from hosting the ITU Plenipotentiary Conference.

The government will promote Korea's ICT industry by providing a platform for discussing ICT issues with scholars, CEOs, and technology experts from around the world. At the heart of the discussion will be sending out the message of President Park Geun-hye's Creative Economy to the world, with a focus on giving local businesses foreign market opportunities.

Committee participants say that all parties involved have agreed to work in close cooperation to discuss detailed plans in providing their full support for the ITU Plenipotentiary Conference, which is bound to enhance the nation's prestige. 



대한민국을 대표하는
인적 교류, 물적 교역의
중심항으로
거듭나겠습니다!

청마의 열정과 에너지 가득한 갑오년 새해가 밝았습니다.
지난해 컨테이너 물동량 216만 TEU를 달성한 인천항은
‘환황해권 중심 거점항만, 동북아시아 대표 해양관광문화 메카’라는
비전 실현을 향해 힘차게 달려 나갈 것을 약속드립니다.

인천항만공사

INCHEON PORT AUTHORITY
TEL. 032-890-8000 www.icpa.or.kr

Correction of Reverse Discrimination

Global Service Providers Banned from Korea's Public Procurement



Global food service companies such as Aramark will not be able to provide their services to the public sector in the country. Office Depot, a global provider of office related products, will also be barred from public procurement, including maintenance, repair, and operation (MRO).

According to industry sources on February 10, the Small and Medium Business Administration (SMBA) is enforcing the framework act on small and medium enterprises (SMEs). During the process, SMBA is proceeding with the establishment of regulations to disqualify foreign enterprises that belong to local conglomerates subject to a ban on cross investment as medium companies.

This measure is aimed at prohibiting medium or small and medium-sized

subsidiaries of overseas companies from participating in the local public market, if the total assets of their parent companies exceed five trillion won (US\$4.7 billion). It will be done by applying the same standards to them as that of large companies. If this content is included in the enforcement decree of the framework act on SMEs, it will be effective by July 21.

Once the enforcement decree is made, the original purposes of the law to eliminate problems of reverse discrimination and to protect medium companies and SMEs are expected to be revived again by providing a fair competition environment.

An official at the SMBA said, "Some of the local companies have experienced reverse discrimination. So,

we are pushing ahead with a plan to apply the same standards as that of large local companies to foreign firms with more than five trillion won in assets." The official added, "We can't apply all regulations applicable to groups subject to a ban on cross investment to foreign companies. But if the same standard is used in the public market, the major inroads of overseas firms into the local market can be prevented."

So far, controversial overseas companies such as Aramark and Office Depot have been in an advantageous position in public procurement, without any limit in their participation. It is due to the fact that those foreign firms have been classified as medium companies in the nation, even though their size is almost equal to that of large local firms. **OK**

Obstacle to Virtuous Cycle

Fund Recovery from Venture Investment Facing Difficulties



Investment in venture firms is soaring in Korea these days, thanks to the Park Geun-hye administration's creative economy drive. Meanwhile, fund recovery is failing to enjoy any trickle-down effect.

According to the Small and Medium Business Administration (SMBA), new venture investment amounted to 1.3845 trillion won (US\$1.2774 billion) in 2013 to record a 12.3 percent increase year-on-year, which is also the highest level since 2001. The number of angel investors added up to 4,870 as well, more than double the figure of 2012 at 2,260. Investment by newly-established venture investment associations reached

1.5374 trillion won (US\$1.4185 billion), showing a 99 percent increase from the previous year.

However, the number of IPOs in the KOSDAQ market stood at just 37 last year. There were more than 170 in 2001, but they dropped to 64 in 2010, 57 in 2011, and 21 in 2012. The sluggish IPO and M&A has made fund recovery by venture capitalists difficult. "It takes too much time for investment targets to go public in the KOSDAQ market, and thus M&A as a midway point to IPO should be revitalized," said Korea Capital Market Institute researcher Park Yong-lin, adding, "It is fair to say that fund recovery by venture capitalists is complete-

ly closed, with the local M&A market being in the doldrums."

The government launched the KONEX market in July 2013 to cope with such problems, but it seems that it will take more time to get on track. At present, 45 companies are listed on the KONEX market, 24 more than during the early stage. Seven of them procured approximately 15.58 billion won (US\$14.38 million) of funds through paid-in capital increases since September of last year. **OK**

Nurturing Hidden Champions

Samsung Actively Seeking to Foster Business Partners with Growth Potential

Samsung Electronics selected ten business partners on Feb. 25 as this year's most valuable companies. The selected firms include Pavonine, Bumjin, A-Tech Solution, Dong Yang E&P, DAP, Melfas, Elentec, KCTech, TeraSemicon, and Protec.

Valuable companies refer to Samsung's suppliers selected by the tech giant itself, with the possibility of growing as global component makers. The Korean tech firm supports and nurtures selected companies so that they can develop international competitiveness.

Samsung began to choose candidates for valuable companies from 2011, providing comprehensive customized support in capital, technology, and manpower. Last year, 14 firms were selected

as valuable companies for the first time, based on their technologies, global market share, and production capacity.

To date, the Korean tech giant has provided capital worth 30.9 billion won (US\$29.0 million) to 10 firms selected this year. It has also provided various kinds of support, including dispatching experts on development, purchasing, and manufacturing technology, and those in charge of outside consulting. Thanks to Samsung's efforts, the ten companies were able to turn over about 3.7 trillion won (US\$3.5 billion) in 2013, a 46% increase from 2011 (around 2.53 trillion won, or US\$2.38 billion).

To be specific, mobile phone charger manufacturer Dong Yang E&P achieved 163 billion won (US\$153 million) in



Samsung Electronics' Vice Chairman Kwon Oh-hyun (6th from left in front) poses for a ceremony to select this year's valuable companies at Samsung Digital City in Suwon on Feb. 25, together with representatives of ten selected firms.

sales last year by developing new products such as high-performance chargers used in the Galaxy S4 and the Galaxy Note 3.

Semiconductor equipment and Flat Panel Display Equipment maker KCTech posted 23 billion won (US\$21.6 million) in sales in 2013, helped by the strong sales performance of Chemical Mechanical Polishing (CMP) gears. The company was also able to shorten the period to manufacture CMP gears from 12 to 8 weeks.

So far, Samsung has provided monetary support worth 203.5 billion won (US\$191 million) to 59 companies, including 14 firms in 2013, candidates, and 10 selected ones this year. The tech company is planning to foster 50 valuable companies by 2015. 

Customized Technical Support

ETRI Accelerates Promotion of SMEs through Support Project

The Electronics and Telecommunications Research Institute (ETRI) also will initiate a project to nurture small and medium-sized enterprises (SMEs) as global hidden champions.

The project is aimed at creating jobs for 10,000 people by establishing 100 SMEs, including startups by researchers and research institutes, and providing support to 500 companies. The ultimate goal is to record a trillion won in sales by 2017 by helping each of the 500 companies turn over 2 billion won (US\$1.9 million).

ETRI awarded a Certificate in One-

to-One Customized Technical Support to 141 medium companies and SMEs in the ICT sector at its research center in Daejeon City on Feb. 12, and decided to provide full support to designated companies over the next two years.


The research institute has provided technical support in 150 cases, after selecting 16 firms in the materials and components research field in July 2013.

This year, ETRI intends to expand support in the software & content, convergence technology, broadcasting communication & media, and communication & Internet areas. It will choose an



The Electronics and Telecommunications Research Institute in Daejeon, South Korea, about an hour's bullet train ride south of Seoul. (Photo by Yoshi Canopus via Wikimedia Commons)

additional 141 firms that have difficulty in technology development and commercialization, and then dispatch its researchers to those selected companies to provide technical support for two years.

Kim Heung-nam, head of ETRI, said, "We will try hard to make global hidden champions through one-to-one customized technical support." 

3D Graphene

Korea Develops 3D Graphene-making Technique

Korean researchers successfully developed a technique to make 3D graphene structures, previously thought impossible. Graphene is more conductive than copper, stronger than steel, and so chemically stable that it is called, the “dream material.” However, until now, it only came in flat sheets or simple lumps.

But a new technique allows the creation of 3D structures with graphene, and also allows the tweaking of the possible energy storage per unit area of the material. With the ability to manipulate graphene so exactly, it is more likely to be utilized as a custom-designed material.

The Ministry of Science, ICT and Future Planning (MSIP) and the Institute for Basic Science (IBS) announced on February 2 that a research team from the

Center for Nanomaterials and Chemical Reactions at IBS led by Kim Sang-ouk, professor of Materials Science & Engineering at KAIST, was able to develop a new 3D graphene creation technique.

The research team succeeded in creating various kinds of graphene gels out of metal substrates with different sizes and shapes, including very large-scale and tube-shaped graphene gels.

Earlier, the team discovered that a water-containing gel is formed on the surface of a metal substrate in a slightly acidic fluid bath, as graphene oxide is reduced by the metal substrate.


The research team also created several new types of 3-D structures out of graphene, after conducting experiments on the assumption that a graphene gel will imitate the shape and size of a metal

The ideal crystalline structure of graphene is a hexagonal grid like this one. (Photo by AlexanderAIUS via Wikimedia Commons)

substrate.

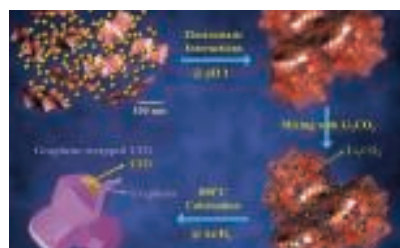
In addition, it was confirmed that the pores of the graphene gel can be changed in size, in line with the speed of the oxidation-reduction reaction of graphene oxide. Furthermore, graphene's conductivity was increased by keeping the pores as small as possible and eliminating moisture with an appropriate drying method.

When the new material was used in a super capacitor electrode, it was measured to have 33.8mF/cm², much higher than 4.04mF/cm², which was previously the performance of the best capacitor in the world.

The research findings were published online in the January 29 issue of *Advanced Materials*, a weekly scientific journal covering materials science. 

New Lithium Battery Tech

Korea Develops Tech to Improve Performance of Lithium Batteries



A diagram illustrating the newly-discovered method. Graphene Oxide is wrapped in P25, which is then mixed with Li₂CO₃ and calcinated to create Graphene-wrapped LTO.

A Korean research team has successfully developed a technology to vastly improve the performance of lithium ion batteries.

Seoul National University (SNU) announced on February 2 that a research team led by Park Byung-woo, professor of the Department of Materials Science


and Engineering at SNU, and Dr. Kim Cheon-jung from the Lawrence Berkeley National Laboratory succeeded in developing a new cathode material, graphene-coated Li₄Ti₅O₁₂ (LTO), using a solid-state reaction method.

An LTO cathode is considered to be a next-gen cathode material because of its higher efficiency in battery charging than electrodes. However, its commercialization has not been possible so far, owing to its low electrical conductivity.

The research team was able to synthesize graphene-coated LTO with the method in which both the graphene deoxidation and its solid state reaction occur at the same time. It was done by coating titanium oxide with graphene oxide, and putting them through a heat

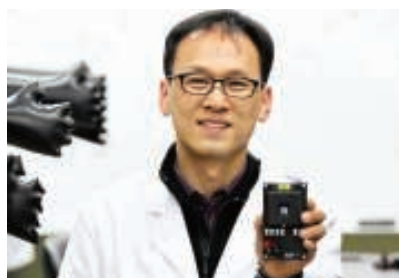
treatment with a lithium precursor. The newly-developed LTO cathode proved to be better in charging rates than existing graphene-coated lithium-steel oxide, as shown by the formation of the uniform surface and stable coating.

Professor Park said, “We tried to overcome the non-conductivity of LTO by coating a conductive material on the surface of LTO, and thereby inducing a speedy response of lithium ions at the initial stage.” He added, “This study is going to lead to enormous developments in cell phones, laptops, and electric cars, since the charging speed of the improved lithium battery is faster, and the number of charge cycles is also increased.”

The research findings were published online in a recent issue of the *Journal of Materials Chemistry A*, a weekly scientific journal in the materials field. 

New Solar Cell Technology

Korea Research Team Develops Tech for Inverted Colloidal Quantum Dot Solar Cells



Professor Kim Jin-young at UNIST shows an inverted colloidal quantum dot solar cell.

A Korean research team has developed a technology to make highly-efficient inverted colloidal quantum dot solar cells.

The research team consisting of Professor Kim Jin-young, Professor Park Jong-nam from the Interdisciplinary School of Green Energy at Ulsan National Institute of Science and Technology (UNIST), and student Kim Gi-hwan was able to manufacture highly-

efficient solar cells by synthesizing zinc oxide in liquid state, and coating the synthesized material at the top of a quantum dot.


The optical conversion efficiency of the newly-developed solar cells is 4.31 percent, a 1.7-fold increase from the 2.47 percent efficiency of conventional quantum dot solar batteries.

Existing inorganic solar cells have low efficiency in the conversion of sunlight into electricity, despite high manufacturing costs. However, new solar cells are cheaper to make and have high energy conversion efficiency. Those cells can also be used in various fields, since it is possible to fabricate the solar cells in a thin film form.

The production of quantum dot solar cells is made possible by combining diethylzinc that contains high activation energy with zinc oxide in the air, with-

out the need of a high-temperature heat treatment. In addition, low-cost aluminum can be utilized to make electrodes of solar cells instead of expensive gold by inversely changing the structure of the quantum dots and zinc oxide inside the solar battery, and then coating the material on the surface of the electrodes.

Professor Kim said, "I think that we paved the way for the commercialization of quantum dot solar cells, which many consider next-gen solar cells. It is due to the fact that the newly-developed solar cells can be fabricated at a low temperature. On top of that, cheap aluminum can be used to make electrodes." He added, "The newly-produced solar cells will lead the future solar cell industry. So, Korea will be able to narrow the gap with leading countries in the development of a next-gen organic photoelectric element."

The study was conducted as part of a joint research project for energy supported by the Ministry of Trade, Industry and Energy, and the Korea Institute of Energy Technology Evaluation and Planning. The research findings were first published online on Feb. 22 by *Advanced Materials*, a weekly scientific journal covering materials science. 

Wearable Device Advances

Korea Paves the Way for Development of Stretchable Electronic Devices



Stretchable transparent electrodes developed by a research team headed by Professor Lee Hyo-young at Sungkyunkwan University.

A Korean research team has developed a technology to make flexible and stretchable transparent electrodes using silver nanowires, laying the groundwork for the development of stretchable electronic devices.


A research team consisting of Professor Lee Hyo-young at Sung-

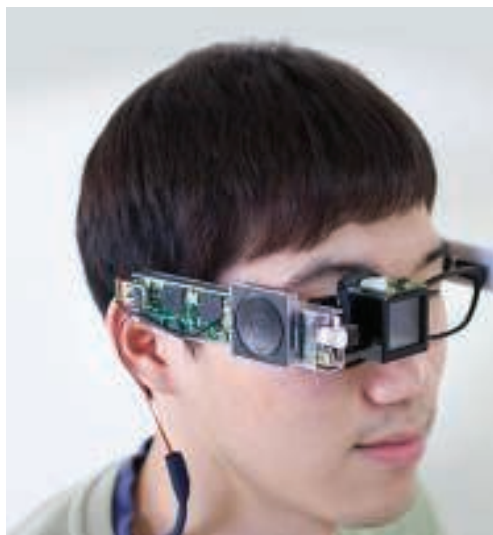
kyunkwan University, Dr. Kim Yoon-chun, and PhD student Lee Han-rim announced on Feb. 16 that they successfully developed a tech to produce stretchable transparent electrodes. It was done by coating a polymer substrate with hydrogenated silicon, which was plated with silver nanowires and electrode materials. Finally, the material was again coated in graphene oxide.

In the past, it was difficult to join electrode materials such as silver nanowires with polymer substrates, even with the stretchability of substrates. To make sure that a polymer substrate can be combined with silver nanowires, the team changed the characteristics of the

polymer substrate by exposing a thermal plasma on the surface of the substrate, which was then coated with hydrogenated silicon. Through this process, the surface of the polymer substrate was made to hold nanowires tightly. The silver nanowire-combined polymer substrate can play a role as an electrode, even when it is stretched or folded. In fact, the polymer substrate proved to be inseparable from conductive materials, even after it was folded or stretched 1000 times.

Professor Lee said, "I think that this technology will contribute to the development of stretchable organic semiconductors, such as solar cells and touch screens."

This study was funded by the Ministry of Science, ICT and Future Planning, and the research findings were first published online on Feb. 10 by *Advanced Functional Materials*, a bimonthly scientific journal published by Wiley-VCH. 



K-Glass

Korean Research Team Develops K-Glass with Built-in Augmented Reality Chip

Gesture-based computer interaction, as depicted in the movie “Minority Report,” is likely to be realized soon.

The Korea Advanced Institute of Science and Technology (KAIST) announced on Feb. 20 that a research team led by Yoo Hoi-jun, professor of the Department of Electrical Engineering at KAIST, successfully developed K-Glass. K-Glass is a high-performance and ultra-low-power head-mounted display (HMD) with a built-in augmented reality (AR) processor.

Thanks to the AR processor, K-Glass is 30 times faster than Google Glass using the conventional chip, and it can be used three times longer. Hence, the newly-developed HMD is expected to bring the era of augmented reality closer.



Augmented reality refers to the integration of the real world and reality-altered virtual media content. It is a technology that offers a real-time view of one’s immediate surroundings altered or enhanced by computer-generated information. For example, the tech makes it possible for people to feel that a three-dimensional dinosaur appears to be rising above a book when looking at a picture of the dinosaur in a storybook. If the direction is changed, the other side of the dinosaur can be seen.

Samsung and Microsoft filed for related patents. In particular, Google developed augmented reality glasses called “Project Glass” in May 2012.

However, Google’s technology has drawbacks. It cannot realize 3D augmented reality outdoors where markers cannot easily be installed, since it is operated in a manner that recognizes markers such as barcodes, and adds virtual content to a certain object. Furthermore, Google’s AR glasses cannot

always be used in everyday life just like mobile devices, owing to the two-hour-long battery life expectancy.


Inspired by the Visual Attention Model (VAM), the newly-developed AR processor demands lesser power and functions well. VAM duplicates the ability of the human brain to process visual data by disentangling the most salient and relevant information about the environment in which human vision operates, thereby eliminating unnecessary data.

With the development of the processor, it was possible for the team to dramatically speed up the computation of complex AR algorithms.

The research team utilized a network structure similar to a human brain’s central nervous system in order to reduce power consumption. While data freely moves around in the processor, a bottleneck in the data transmission process can occur due to data congestion. However, the team effectively overcame the problem of a bottleneck in data transmission and a network bottleneck inside the processor by using the structure of a nervous system.

Using the 65 nm manufacturing process, the new AR processor delivers 1.22 tera-operations per second (TOPS) peak performance in the area of 32 mm². In addition, the chip can be used for a long time, since it shows 1.57 TOPS/W high efficiency rate of power consumption under the real-time operation of a 30fps/720p video camera, a 76 percent improvement from other devices.

Professor Yoo explained, “There is a recent upsurge of interest in HMDs as next-gen mobile devices that follow smartphones.” The professor added, “K-Glass is likely to make innovative changes in the future mobile IT area, because compared to existing HMDs such as Project Glass, its computing function is vastly improved. On top of that, it uses far less energy than traditional HMDs.”

The KAIST team presented its research paper at the International Solid-State Circuits Conference (ISSCC), which was held in San Francisco, CA from February 9 to 13. 

고장이나 사고로 고속도로에서 위험하게
견인차량을 기다려 보신적 있으신가요?

한국도로공사의 **긴급견인제도**는

고속도로 본선, 갓길에 멈춰 2차사고가 우려되는 소형차량을
안전지대까지 견인하는 제도입니다.

안전지대까지의 견인비용은 한국도로공사가 부담합니다.

※ 소형차량 : 승용차, 16인 이하 승합차, 1.4톤 이하 화물차
※ 안전지대 : 현장에서 가장 가까운 휴게소, 영업소, 졸음쉼터 등



견인신청 | 한국도로공사 콜센터 (1588-2504)



국토교통부
Ministry of Land, Urban Planning and Construction

전문성, 신뢰성, 책임감



한국도로공사

e-Sports

Korea's Position as Global e-Sports Leader under Threat



A screenshot from the upcoming Netmarble game Pirates: Treasure Hunters.

Korea's game industry is having a hard time due to government regulations and the increasing popularity of imported games.

CJ E&M Netmarble is planning to release Pirates in the first half of this year, and launch a professional league for it this year as well. The online game was developed by Virtual Toys, a Spanish game studio. CJ E&M Netmarble purchased the exclusive copyrights from Virtual Toys to launch the game's first regular service in the world. It is unprecedented that a game company makes an announcement of a pro league for a game that is yet to be released.

Nexon opened the Nexon Arena, which is the first e-sports stadium in Korea, back in December last year. The opening was very well received by the industry, in that it can expand the base of the domestic e-sports market and pro-

vide greater access to local game fans. However, most of the games played in the arena have been those imported and distributed by Nexon, such as FIFA Online 3 and Dota 2, and this has led to much criticism. "With imported games becoming the mainstream, the actual profits are flowing to foreign game companies in spite of Korean gamers' excellent skills and showmanship," said e-sports caster Jeon Yong-joon, adding, "What is more important than professional leagues of popular games is an effort for the growth of domestically-developed games."

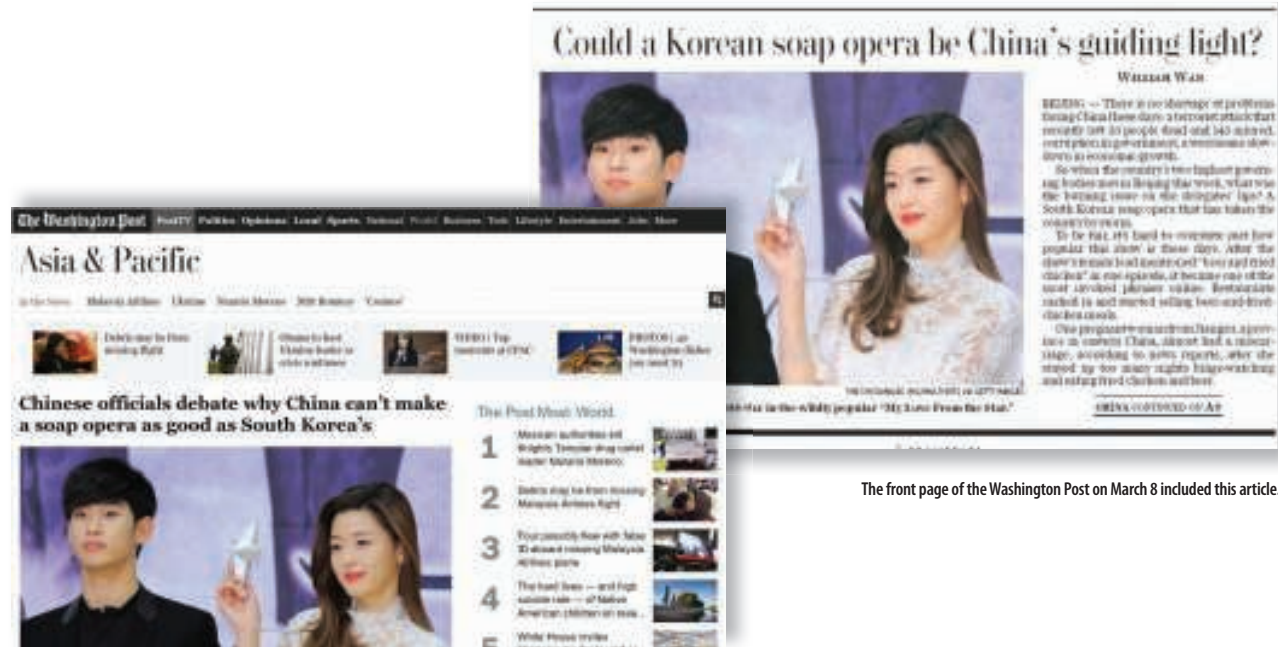
The popularity of imported games is rapidly increasing in the Korean e-sports market. The examples include League of Legends, which accounts for over 40% of the market, StarCraft 2, World of Tanks, and World of Warcraft. In con-

trast, professional leagues for domestically-developed games like Cart Rider, Sudden Attack, and Tales Runner are becoming harder and harder to find. Big businesses such as Hyundai Motor Company, Shinhan Bank, and Fila have withdrawn their official sponsorship from the leagues, too.

e-Sports is emerging rapidly as a part of the new Korean Wave around the world. SK Telecom's pro gamer team T1 won the final match in the League of Legends World Championship in LA in October last year. The finals were attended by more than 12,000 people, and over 32 million people watched the game at home across the world. Under the circumstances, the International e-Sports Federation is moving swiftly to have e-sports adopted as a regular sports event. 

Heavy Cultural Blow to China

Washington Post Runs Article about Korean Soap Operas



The front page of the Washington Post on March 8 included this article.

The Washington Post (WP) published an article about the SBS Drama “My Love From The Stars,” which ended in Feb. In particular, the influential newspaper focused on cultural aspects of Korea and China related to K-drama fever.

The WP ran a front-page story in its print edition titled “Could a Korean soap opera be China’s guiding light?” with a picture of leading actor and actress Kim Soo-hyun and Jeon Ji-hyun on March 8 (local time).

The newspaper said, “There is no shortage of problems facing China these days: a terrorist attack that recently left 33 people dead and 143 injured, corruption in government, a worrisome slowdown in economic growth. So when the country’s two highest governing bodies met in Beijing this week, what was the burning issue on the delegates’ lips? A South Korean soap opera that has taken the country by storm.”

The WP continued by saying, “After the show’s female lead mentioned ‘beer

and fried chicken’ in one episode, it became one of the most invoked phrases online. Restaurants cashed in and started selling beer-and-fried-chicken meals.”

It also cited local news reports that one pregnant woman living in Jiangsu, a province in eastern China, came close to having a miscarriage, after she spent too many nights binge-watching the show and eating fried chicken and beer.

The Korean soap opera is about an alien Do Min-joon (played by Kim Soo-Hyun) who accidentally arrived on Earth 400 years ago, meets Hallyu star Chun Song-yi (played by Jeon Ji-Hyun), and falls in love.

The newspaper said that the plot may appear unusual to Western viewers, but the drama is so influential that China’s top political advisory body, called the National Committee of the Chinese People’s Political Consultative Conference (CPPCC), reportedly lamented, “Why can’t our country make a show as good and as big of a hit?”

The WP pointed out that the tremen-

dous popularity of the Korean drama is seen as another heavy blow to Chinese confidence in their culture, after Dream-works’ “Kung Fu Panda” became a mega hit in the nation in 2008.

The newspaper stressed, “This time around, the angst over the Korean drama carries with it bitterness about regional rivalries. While China has long considered itself the source of East Asian culture, the domination of Japanese comics and Korean soap operas in Chinese pop culture challenges that view.”

“It is more than just a Korean soap opera. It hurts our cultural dignity,” one CPPCC member said.

The WP also posted the same article on its website on March 7 with a different title, “Chinese officials debate why China can’t make a soap opera as good as South Korea’s.”

One netizen commented, “I think China’s problem is a lack of beautiful Korean women.” Another netizen added, “And cute Korean leading men. Yeah, I googled him.”

‘가능성의 날개’를 달다

동해-1 가스전 개발로
세계 95번째 산유국이 된 대한민국

전국 9개 비축기지에 확보된
1억 4천 6백만 배럴 규모의 비축시설

한국석유공사의 미래가 대한민국의 미래라는 것을 알기에
1%의 가능성에 날개를 달아, 100%의 성과를 실현해내고 있습니다.

에너지 그 이상의 가치를 실현하는 기업, **한국석유공사**



에너지 그 이상의 가치를 실현하는 기업

대한민국의 미래와 국민의 행복을 위해 함께 성장하고
국민에게 더 가까이 다가가고 싶은 한국석유공사의 의지를 담은 새로운 비전입니다.

“국민이 행복한 변화가 시작됩니다”

